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*Commissioner Donges, until May 16th, 1918, President of the Board, resigned to accept an appointment in the National Army.

x

REPORTS

OF THE

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OF THE

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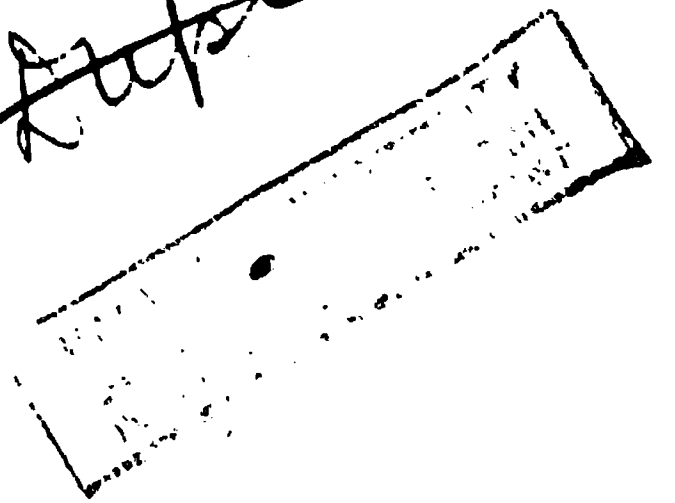
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**IN THE MATTER OF THE APPLICATION OF THE NORTHAMPTON,
EASTON AND WASHINGTON TRACTION COMPANY FOR IN-
CREASE IN RATE OF FARE.**

1. By a decision of the Supreme Court, it is the Board's duty to approve the establishment of a just and reasonable rate when it appears that the existing rate is insufficient regardless of limitations contained in municipal ordinances respecting rates of fare.

2. A street railway with revenue insufficient to meet operating expenses and fixed charges is permitted to increase its fare from five to six cents.

George W. W. Porter, for the company.

Oscar Jeffrey, for Franklin Township.

The application originally made by the Northampton, Easton and Washington Traction Company was to increase the rates of fare from five cents to six cents in each of the fare zones from Phillipsburg to Port Murray, a distance of about 17 miles. There are seven fare zones between the termini mentioned.

At the previous hearing it was shown that there was a deficit of \$7,150.34 for the year 1915, and a deficit of \$5,311.32 for the year 1916. The additional proofs now offered show a deficit of \$7,131.96 for 1917, and a comparative deficit for the months of January and February in 1918 of an increased amount. The proofs also show conditions are growing worse instead of better. Not one dollar has been set aside for depreciation charge on equipment, track and roadway in any of the years mentioned. The net operating return has been, and continues to be, insufficient to meet interest on the bonded debt. The interest, however, on the bonded debt of the company has been paid. Any deficit in the sum of money required for the payment of interest has been loaned by the Northampton, Easton and Washington Traction Company of Pennsylvania to the petitioner.

The Board in its previous report, dated July 16th, 1917, recognized the serious financial condition of the company, but felt constrained to deny it relief because of our interpretation of the de-

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cision of our Supreme Court in the case of the *Atlantic Coast Electric R. Co. vs. Public Service Commissioners*, 89 N. J. Law, p. 407.

The petitioner caused the findings of the Board of Public Utility Commissioners in its proceedings to be reviewed by the Supreme Court, and the decision filed during the present February term holds that it is the duty of the Board of Public Utility Commissioners to approve the establishment of a just and reasonable rate when it appears that the existing rate is insufficient, regardless of limitations contained in municipal ordinances respecting rates of fare.

The order in question was therefore set aside and the traction company renewed its application before us for the said increased fares.

The company is operated at a minimum of expense. The general manager receives only \$50 per month. The treasurer receives \$25 per month, and the wages are in keeping with those paid for like services in similar communities.

We will therefore permit the schedule of rates presented, increasing the rate of fare from five cents to six cents in each fare zone, to go into effect.

Dated March 11th, 1918.

No. 528.

JOHN V. LADDEY ET AL.

VS.

ERIE RAILROAD COMPANY.

1. The mere fact that the distance between two railroad stations is greater than the distances between most stations on the road does not of itself show a need for additional stational facilities.

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2. Though new stational facilities would result in greater convenience to the petitioners, the Board is of the opinion that the community is served to such an extent by existing facilities it would not be warranted during the abnormal period of the war in ordering any change.

John V. Laddey, for the petitioners.

G. A. W. Achenbach, for the respondent.

The petitioners in this proceeding made application for a flag station stop on the Erie Railroad at Cedar Grove, Essex County, requesting stops of three trains a day each way of the sixteen to eighteen passenger trains that pass the point in question—petitioners pledging, in case necessity arises for a station building, to contribute, proportionately, to the erection of a suitable waiting station and platform in connection therewith.

Petitioners further allege that in the year eighteen hundred and sixty-eight, when the railroad was built between Great Notch and Little Falls, the owners of the land traversed by the said road donated the same upon the definite understanding that there would be a station between Great Notch and Little Falls; that this understanding was carried out by building and maintaining for a period of about thirty-five years a station known as "Cedar Grove" station, located at a point a few feet east of the intersection of the said railroad and the Little Falls Road in Cedar Grove; that, in addition thereto, people in the community at that time erected the station at their own expense; that in 1890 the railroad obtained a deed to the land upon the payment of a nominal sum of money, from which deed the stipulation as to the maintenance of the station was eliminated; that in the year 1903 the station was removed and further train service discontinued; that, by reason thereof, the natural development and progress of the community has been retarded and residents of that vicinity greatly inconvenienced; that there was a necessity for the station at the time it was maintained and that this necessity has become greater since that time, due to the gradual development of that part of the State.

Respondent filed an answer, denying that it does not maintain a passenger station at Cedar Grove, but claims that it maintains

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such station on the Pompton Turnpike, in said township; that this is suitably located for the convenience of residents of Cedar Grove; that it stops daily at said station eleven trains, eastbound, and the same number of trains, westbound, on week-days, and seven eastbound and seven westbound trains on Sunday; that it also maintains a passenger station at Little Falls, which location is convenient for those residents of Cedar Grove Township who do not reside in the vicinity of Cedar Grove Station; that in 1903 respondent closed the station on the Greenwood Lake Division because the use was insufficient to justify its maintenance, and because said station was about one-half mile east of the then, and still, existing station at Little Falls; that the re-establishment of the station which was abandoned fourteen years ago is not required for the safe, adequate and proper service along its line of railroad, and that all persons desiring to ride on said railroad are provided with safe, adequate and proper service either at the Little Falls Station or the present Cedar Grove Station.

On the issue joined hearing was held. Considerable testimony was adduced on both sides. The petitioner submitted the testimony of thirty-one different witnesses and the respondent six. It appears by Exhibit R-4 (agreement between Joseph S. Bowden and the Montclair R. R. Co., dated February 15th, 1870), that the said Joseph S. Bowden agreed to convey certain lands to the Montclair Railroad Company, and it is further stipulated in said agreement as follows:

“The above deed to be upon the condition that the said company shall establish a depot upon land given for that purpose by Stanley and Francisco, within 1,200 feet of the last described parcel of land; and upon the further condition that said railroad shall be in operation in Little Falls within two years from the date hereof.”

It also appears by Exhibit R-5 that Joseph S. Bowden et ux., and Anthony Bowden et ux., conveyed the land for railroad purposes to Abram S. Hewitt by deed dated August 16th, 1890, and recorded August 20th, 1890, in Book L 25 of Deeds, pages 423-425, in the Register's Office of the County of Essex, N. J.; that there is no stipulation in said deed as to the erection or maintenance of any stational facilities at the point in question.

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While it may be contended that the agreement by the utility to maintain the station is germane to the general functions of a utility and its operation as such, thus giving this body jurisdiction to enforce compliance therewith, without petitioners' recourse to some other court for relief, inasmuch as the subsequent conveyance eliminates the stipulation, decision is made on the case at issue pursuant to authority given this Board under the "Act Concerning Public Utilities," which provides that

"The Board shall have power, after hearing, upon notice, by order in writing, to require every public utility herein defined * * * to furnish safe, adequate and proper service, and to keep and maintain its property and equipment in such condition as to enable it to do so."

The petitioners claim that at the time of the discontinuance of the station there were about twelve to fifteen daily commuters, and that should the station be re-established, there would be over thirty daily commuters. It is also contended by petitioners that said station would also be utilized by numerous visitors.

On the contrary, the respondent claims that its record of commutation tickets shows a total of fifteen commuters; that with most favorable consideration of petitioners' testimony not more than twenty-six commuters would use the station in question.

It appears that the territory to be served is within a triangle, bound by the Little Falls Station and Great Notch Station, upon the Greenwood Lake Division, and the Cedar Grove Station on the Caldwell Branch; that the distance on the railroad on the Greenwood Lake Division between the Great Notch Station and Little Falls Station is 2.1 miles, and that the distance on the railroad of the Caldwell Branch from the Great Notch Station to the Cedar Grove Station is 1.7 miles.

The abandoned and proposed site of Cedar Grove Station on the Greenwood Lake Division is about midway between Great Notch Station and Little Falls Station.

The mere fact that the distance between these stations is greater than the distances between most stations on said road, as claimed by the petitioners, is but an element in the case, and does not of itself show a need for the additional stational facilities desired, because, independent of the distances between stations, considera-

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tion must be given at all times to the wants of the community to be served.

Respondent claims that by reason of the grade and curve of the track at the point in question it is not practicable to make provision for the station stops desired. Even if it were practicable, while the new station facilities desired by petitioners would doubtless result in greater convenience to them, the Board is of the opinion that the community in question is served to such an extent by present facilities that during the present abnormal period it would not be warranted in ordering any change.

This country is engaged in carrying on an important war, and as a result, utilities (especially railroads) have been taxed to their utmost capacities. It is a matter of common knowledge that the railroads have been obliged for some months past to devote all their energies to co-operation with governmental agencies, in order to aid it in successfully carrying on the war. So great has been the demand for railroads to work as a unit in the furtherance of war activities, that they have been taken over by the United States through legislative enactments and placed under the supervision of a director-general. Under these circumstances, the Board feels that all must patriotically join in making sacrifices of their personal convenience for the benefit of the many, and that it should not during the present abnormal period order a re-establishment of a station which has been abandoned for fourteen years. The petition must, therefore, be dismissed.

Dated March 11th, 1918.

ORDER.

This case being at issue upon complaint and answer on file, and having been duly heard and submitted by the parties, and full investigation of the matters and things involved having been had, and the Commission having, on the date hereof, made and filed a report, containing its findings of fact and conclusions thereon, which said report is hereby referred to and made a part hereof,

IT IS ORDERED that the complaint in this proceeding be and it is hereby DISMISSED.

Dated March 11th, 1918.

Schedule of Rates—Commonwealth Water Company.

No. 529.

**IN THE MATTER OF THE APPLICATION OF THE COMMONWEALTH
WATER COMPANY FOR APPROVAL OF SCHEDULE OF RATES,
&C.**

A water company having submitted a new schedule of rates, testimony having been taken upon the question whether the same shall be approved and the record being partially completed, makes application to have the proceeding discontinued and for the allowance of temporary or emergency relief. *Held*—Inasmuch as the proceeding has progressed so far toward completion, and it appears to be highly desirable to allocate costs to the several municipalities served and fix rates to be charged therein for the several classes of service furnished, the proceeding should not now be discontinued or suspended, but should be pressed by all parties as rapidly as possible.

Adrian Riker and C. P. Bassett, for the Commonwealth Water Company.

E. G. Pringle, for Summit.

Borden D. Whiting, for West Orange.

S. D. Williams, for South Orange Township.

W. E. Turton, for Irvington.

William Byrd, for Millburn.

The Board has been receiving testimony, from time to time, covering a period of several months, upon the application of the Commonwealth Water Company for approval of a new schedule of rates. The municipalities involved are taking such steps as they deem necessary to protect the interests of the inhabitants thereof. The proceeding was nearing completion. All parties agree that it is desirable that the questions involved shall be determined, and a schedule of charges fixed that will be just and reasonable in its application to each of the municipalities affected.

Schedule of Rates—Commonwealth Water Company.

Such a schedule can be established only upon consideration of all the facts involved.

The company now applies to have the pending proceeding discontinued, suspended or adjourned indefinitely. It also filed a new petition alleging need of additional expenditures for various purposes and need of additional revenues to meet abnormal increases in costs of operation, and praying for temporary or emergency relief during the period of excessive operating expenses.

The petition contains allegations of matter that should be considered in fixing normal rates as well as matter indicative of the need of temporary relief.

Inasmuch as the proceeding has progressed so far toward completion, and it appears to be highly desirable to allocate costs to the several municipalities and fix rates to be charged therein for the several classes of service furnished, the Board is of opinion that the proceeding should not now be discontinued or suspended. Nor should it be unduly delayed. The company and the representatives of municipalities should co-operate to terminate the taking of testimony as early as is consistent with full exposition of necessary proofs. If the company requires temporary emergency relief, this can be dealt with at the same time and upon the basis of what is shown to be required to supplement such revenues as the Board determines to be just under normal operating conditions. A fair settlement of all of the questions involved, both as affecting the company and its customers, seems to require the prosecution of the pending proceeding to a final conclusion. The nature and extent of emergency relief will depend upon the revenues afforded by the base rates established in the main proceeding.

The company alleges embarrassment because of failure to secure a desired expert, who has gone away for weeks, notwithstanding the pendency of the proceedings. We think reasonable opportunity should be afforded for proper preparation and presentation of proofs, but to continue for six weeks or more, in the circumstances, is not reasonable. The company should be able to proceed at a much earlier date.

The Board is of opinion that the motion should be denied, and that the proceeding should be pressed by all parties as speedily

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as possible. Wednesday, March 27th, 1918, at the Board's hearing rooms, 790 Broad Street, Newark, is fixed as the time and place for the continuation of the hearing. At this time and as collateral to the pending proceeding, consideration will be given to the request of the company for temporary increases of rates.

Dated March 12th, 1918.

No. 530.

ALPHA BOARD OF EDUCATION

VS.

EASTERN PENNSYLVANIA POWER COMPANY.

1. While under the abnormal conditions caused by the war the Board will not encourage the extension of facilities by public utilities, there are numerous extensions which should be made even in war times.

2. Where a public school building has been so designed and built that an extension of electric service is necessary to supply it with water and ventilation, as well as lighting, and where the revenue will be sufficient to remunerate the company the Board holds the extension should be made.

Edward L. Smith, for the petitioner.

E. L. West, for the respondent.

L. Edward Herrmann, for the Board of Public Utility Commissioners.

The Board of Education of the Borough of Alpha, in the County of Warren, filed a petition setting forth that in the year 1916 the legal voters of the School District of the Borough of Alpha voted an appropriation of \$35,000 to enlarge, remodel and equip Alpha School House No. 1, in said school district; that subsequently contracts were entered into to enlarge, remodel, alter and equip said school house, and that the work provided to be

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done in and by said contracts is nearing completion; that the total cost of the work exhausts the appropriation; that the building, as erected and equipped, is wired for lighting, and to use electricity to operate its ventilating system, as well as to operate a pump to supply water for drinking and sanitary purposes for said building; that application was made by the Board of Education to the Eastern Pennsylvania Power Company, the company operating in said district and furnishing electric power therein, to extend its electric service to the said school building for the purpose of lighting the said building, and supplying power to operate the ventilating system and water pump, and that the company refused to do so, unless the petitioner would pay the cost of the extension.

The petitioner alleges that it has no right in law to exceed the appropriation made for the construction and equipment of the said school building, and that there are no other funds available for the purpose, nor have they the right in law to use the moneys of the school district to pay for making of said extension.

The relief sought is that the said utility be required to establish, construct and maintain and operate an extension of its existing facilities so that electric current and power shall be furnished to the said school building.

No answer to this petition was filed by the respondent, and a hearing in the matter was held January 15th. The petitioner appeared by counsel. No testimony was presented. The facts stated by counsel, however, were agreed to by the respondent and concisely are as follows:

That in the year 1916 an appropriation of \$35,000 was made by the voters of the School District of the Borough of Alpha, in the County of Warren, to enlarge, remodel and equip Alpha School House No. 1. Of said sum of \$35,000, \$33,500 was to be used for the building and remodeling of the school building and \$1,500 for the equipment. All of the appropriation of \$33,500 has either been expended or contracts have been entered into by petitioner for the expenditure thereof. The building as erected is wired for lighting, a ventilating system has been installed therein to be operated by electric current, and a pump to be operated by electricity and supply water for drinking and sanitary

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purposes has been installed therein. That the terminus of the lines of the respondent is three hundred (300) feet distant from the building; that the building is about completed and ready for occupancy, and that it is necessary to have electric current for the purpose aforesaid, and that application had been made to the respondent for the extension of its lines and the furnishing of current to the petitioner for the purposes aforesaid; that the said application had been denied by the respondent, although it admitted that the income from the investment or expenditure necessary to make the extension would justify such investment or expenditure. All of the above facts were admitted by the respondent, and it agreed to make the extension if the petitioner would pay the costs thereof, under some indefinite arrangement to be reimbursed during the term of five years following, alleging that the financial condition of the company would not justify the expenditure of the money required to make this extension. Witnesses were produced by the respondent to show the financial condition of the company.

It appears that the Eastern Pennsylvania Power Company leases practically all of its property from the Pennsylvania Utilities Company, a corporation of the State of Pennsylvania. Under this lease an adjustment of the expenditures that are annually made is made by adding to the annual rental of \$3,000, seven and a half per cent. ($7\frac{1}{2}\%$) for the new construction work.

The balance sheet of the respondent company shows current and accrued liabilities totaling approximately \$64,000. The aggregate working assets and current assets approximate \$20,000, showing an excess of liabilities over assets of some \$44,000.

Approximately \$40,000 is owing by respondent to the Pennsylvania Utilities Company for capital expenditures. There are no pressing or urgent liabilities of the company. Its financial condition, as shown by the balance sheet offered as an exhibit, indicates that the company, generally speaking, might not be justified in undertaking increased or additional expenditures at this time.

Under present abnormal conditions, the Board will not encourage the making of extensions. The Government, as well as all patriotic interests of the country, are urging the people to loan their money to the Government for war necessities. It properly

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insists that municipalities, and corporations defer present financing, but it is not meant that utilities are to be relieved of all obligations in matters of extensions. There are numerous extensions which should be made, even in war times, notwithstanding the general policy of the Board, just stated. .

The extension applied for is for a public school building containing twelve class-rooms. The water supply to the school is from a well, from which the water is drawn by a pump to be operated by electric current. The water thus obtained is used for drinking purposes and supplying the wash-rooms and toilets. The ventilating system provided in the school is furnished by fans operated by electric current. The building is wired for lighting purposes, and at some times lights will be essential to the proper operation of the school. As a public policy the maintenance of a school, particularly in localities such as Alpha Borough, is necessary, and for the proper conduct of a school building, erected as is the building in question, electric current is essentially an asset to the successful operation and maintenance of the school.

An investigation of the cost of the extension made by one of the inspectors of this Board shows the total cost of same to be \$252, and the estimate of the Board's inspector of the annual cost to the company to supply service under the proposed extension amounts to \$139.96. The estimated lighting revenue and power revenue to be received therefrom aggregates \$205, showing an annual profit to the company of \$65.04. Under the necessity of the present application, and inasmuch as it involves an expenditure of but \$252, the Board is of opinion that the present case would work no hardship on the respondent to raise the small sum of money needed for this profitable extension.

We find and determine (1) that the desired extension to the school is reasonable and practicable and will furnish sufficient business to justify the construction and maintenance of the same; (2) that the financial condition of the Eastern Pennsylvania Power Company reasonably warrants the original expenditure required in making and operating such extension. At the hearing the company expressed itself as willing to make the said extension if the Board deemed it advisable and desirable. Under such circumstance, an order will not be made at this time.

Dated March 12th, 1918.

Clarence G. Stout et al. vs. Easton Gas Works.

No. 531.

CLARENCE G. STOUT, GEORGE W. TIEFF, MADISON ENGLER, L. R.
CARHART AND J. W. DILTS

VS.

EASTON GAS WORKS.

The Board refuses to order a gas company to extend its facilities to supply service upon its appearing that the cost of materials is abnormally high and that it would be necessary for the respondent to raise additional money, to obtain which would be difficult and costly, but holds the record for consideration when conditions are more favorable.

E. L. West, for the respondent.

L. Edward Herrmann, for the Board of Public Utility Commissioners.

An informal complaint was filed with the Board by Clarence G. Stout, George W. Tieff and Madison Engler, jointly, in which they complain that they have been denied service by respondent of gas in their homes, located on Irwin Street, Phillipsburg. They allege that their residences are about 100 feet from the mains of the Easton Gas Works.

Informal complaints were also filed by L. R. Carhart and J. W. Dilts, who reside at Nos. 46-48-50 Miller Street, Phillipsburg, complaining of the refusal of respondent to extend service of gas to them at their respective homes at the above addresses.

The respondent offered evidence showing its financial condition, and claimed to be justified in refusing to make the extension of service applied for by the petitioners, because of inadequacy of funds and inability to raise new capital.

The petitioners did not appear, nor were they represented, although notice of the hearing was sent them by the Secretary of the Board. It appears that most of the proposed extensions would pay

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reasonable returns to the respondent. There was, however, some question as to whether the revenue from the proposed extension of gas service for the said L. R. Carhart and J. W. Dilts would be sufficient.

After analyzing the financial condition of the Easton Gas Works, the Board is of opinion that it would not be justified at this time in ordering the respondent to make the extensions for the following reasons:

The cost of materials at present is abnormally high, and to make the desired extensions it would be necessary for the respondent to raise additional moneys, to obtain which at this time would be very difficult and costly.

The Board, however, will not dismiss the complaints of the petitioners, but will hold the record to be used for consideration when conditions are more favorable to the making of the extensions in question.

Dated March 14th, 1918.

No. 532.

CLARENCE G. STOUT, GEORGE W. TIEFF, MADISON ENGLER,
JAMES G. SIGAFOOS, L. R. CARHART AND J. W. DILTS

VS.

EASTERN PENNSYLVANIA POWER COMPANY.

The Board refuses to order an electric utility to extend its facilities to supply service upon its appearing that the cost of materials is abnormally high and that it would be necessary for the utility to raise additional money, to obtain which would be difficult and costly, but holds the record for consideration when conditions are more favorable.

E. L. West, for the respondent.

L. Edward Herrmann, for the Board of Public Utility Commissioners.

Clarence G. Stout et al. vs. Eastern Pennsylvania Power Company.

An informal complaint was filed with the Board by Clarence G. Stout, George W. Tieff and Madison Engler, jointly, in which they complain that they have been denied by the respondent service of electricity in their homes, located on Irwin Street, Phillipsburg. They allege that their residences are about 200 feet from the terminus of the electric line of the respondent, Eastern Pennsylvania Power Company.

An informal complaint was also filed with the Board by James G. Sigafos against the respondent, complaining that he has been denied by said company service to supply electric current to his home at No. 883 Gaughran Street, Phillipsburg.

Informal complaints were also jointly filed by L. R. Carhart and J. W. Dilts, who reside at Nos. 46-48-50 Miller Street, Phillipsburg, complaining of the refusal of the respondent to extend its electric lines to them at their respective homes at above addresses.

It was stipulated at the hearing by the attorney for the respondent that the record before the Board as to the financial condition of the respondent, could be used by the Board in the consideration of these complaints.

At the hearing of the complaint of the Board of Education of the Borough of Alpha against Eastern Pennsylvania Power Company the informal complaints were also heard. The petitioners did not appear, nor were they represented, although notice of the hearing had been sent to them by the Secretary of the Board. Statement was made at the hearing that the complaint of L. R. Carhart and J. W. Dilts for extension of electric service had been settled, or was in process of settlement, but this was not definitely ascertained, owing to the absence of petitioners. It further appeared that the proposed extensions would pay a reasonable return to the respondent. The respondent claimed, however, that the financial condition of the company would not permit the making of the extensions in question.

It appears that there is not the same necessity for the extensions in question as in the case of the Board of Education of the Borough of Alpha, nor would the petitioners be confronted with the same difficulties in raising the money for the necessary extensions as the Board of Education of Alpha.

Sale of Trackage—Cape May, Delaware Bay and Sewell's Pt. R. R. Co.

Under these circumstances, after analyzing the financial condition of the Eastern Pennsylvania Power Company, the Board is of opinion that it would not be justified at this time in ordering the respondent to make the necessary extensions, for the following reasons:

That the cost of materials at present is abnormally high and that to make the extensions it would be necessary for the respondent to raise additional moneys, to obtain which at this time would be very difficult and costly.

The Board, however, will not dismiss the complaints of the petitioners, but will hold the record, to be used for consideration when conditions are more favorable to the making of the extensions in question.

Dated March 14th, 1918.

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No. 533.

IN THE MATTER OF THE SALE OF TRACKAGE AND RIGHT OF WAY
OF CAPE MAY, DELAWARE BAY AND SEWELL'S POINT RAIL-
ROAD COMPANY.

ORDER.

It having been represented to the Board of Public Utility Commissioners by the Acting Secretary of the Navy of the United States, that it is a matter of vital importance, in connection with the proper defence of the United States, to have established a railroad connection at Cape May between the Pennsylvania Railroad and the Philadelphia and Reading Railroad and the Naval Air Station and the Naval Section Base, bordering on Cold Spring Inlet and Cape May Harbor, New Jersey, and that the most satisfactory means for establishing the desired railroad connection is for the United States to acquire that part of the existing trackage

Sale of Trackage—Cape May, Delaware Bay and Sewell's Pt. R. R. Co.

and right of way of the Cape May, Delaware Bay and Sewell's Point Railroad Company, extending from the point of connection of the Pennsylvania Railroad Company, at Cape May, with the said Cape May, Delaware Bay and Sewell's Point Railroad, at or near Grant Street Station, and extending thence in a general easterly direction in or along Beach Avenue to Madison Avenue; thence in a general northerly direction in Madison Avenue for one block to New Jersey Avenue; thence in a general easterly and north-easterly direction in New Jersey Avenue past the Cape May Hotel property and through the Naval Section Base property to Pennsylvania Avenue; thence in a general northwesterly and westerly direction in Pennsylvania Avenue through the Naval Coastal Air Station to the intersection of Yale Avenue and Pennsylvania Avenue.

And it appearing that the property of the Cape May, Delaware Bay and Sewell's Point Railroad Company was sold at receiver's sale by order of the Court of Chancery of New Jersey, to the Walker-James Company, of Camden, New Jersey, which company in turn sold the trackage, wire and other physical property to Henry A. Hitner's Sons Company, of Philadelphia, Pennsylvania; the Walker-James Company retaining ownership of the right of way and other real estate formerly claimed by the railroad company.

And it further appearing that the Government of the United States has consummated negotiations with Henry A. Hitner's Sons Company for the purchase of that portion of the physical property, except copper wire, on the right of way between the points hereinbefore mentioned, and that under date of February 1st, 1918, a bill of sale transferring this particular property to the United States was formally executed by the Henry A. Hitner's Sons Company, and that the Government of the United States has also executed a lease with the Walker-James Company for the period of the war and six months thereafter, covering the use and occupation of the right of way between the points hereinbefore mentioned, and the Board of Public Utility Commissioners being petitioned to formally approve the sale of the movable physical property of the Cape May, Delaware Bay and Sewell's Point Railroad Company

Alteration of Grade Crossing—New York Central Railroad Co.

by Henry A. Hitner's Sons Company to the United States of America, and the sale of said property by the Walker-James Company to Henry A. Hitner's Sons Company, and formally approve the leasing to the United States of America, by the Walker-James Company, of the right of way hereinbefore referred to.

The Board of Public Utility Commissioners, after hearing, no reason to the contrary appearing,

HEREBY ORDERS that the sale of the movable physical property of the Cape May, Delaware Bay and Sewell's Point Railroad Company by Henry A. Hitner's Sons Company to the United States of America, as described in a bill of sale from the said Henry A. Hitner's Sons Company to the United States of America, and the sale of all of said property by the Walker-James Company to Henry A. Hitner's Sons Company, and the leasing to the United States of America by the Walker-James Company of the right of way of the said Cape May, Delaware Bay and Sewell's Point Railroad Company, all as referred to and described herein, be and the same are HEREBY APPROVED.

Dated March 19th, 1918.

No. 534.

IN THE MATTER OF THE APPLICATION OF THE NEW JERSEY JUNCTION RAILROAD COMPANY, OWNER, AND THE NEW YORK CENTRAL RAILROAD COMPANY, LESSEE, FOR THE ALTERATION OF THE GRADE CROSSING OF NEW FERRY ROAD, WEST NEW YORK AND THE TRACKS OF SAID COMPANIES.

1. The Board must find that a railroad grade crossing is dangerous to public safety and that travel on the highway is impeded thereby before it can order the crossing altered.

2. Having so found the fact that certain parties, who may be affected, have not agreed with the railroad company to co-operate with it in the performance of the work, upon mutually satisfactory terms, has no effect upon an order of the Board.

Alteration of Grade Crossing—New York Central Railroad Co.

SUPPLEMENTARY REPORT.

On January 29th, 1918, the Board adopted an order in the above matter, which order requires the New York Central Railroad Company, certain municipalities and other parties to perform the duties imposed upon them thereby. The Board, on the same date, filed a report which was not a part of the order, but which stated reasons why the order was deemed to be advisable at this time. The report stated, among other things, that it was the Board's understanding that the company had arranged "on satisfactory terms for the co-operation with it of the municipalities, public utilities and other parties who in compliance with the statutory requirements are included in the Board's order."

It is now objected that the railroad company has not made, in all cases, satisfactory arrangements for the co-operation referred to, that such arrangements had not been made when the order was adopted and that the report of the Board in this particular is not in accordance with the facts. It is the opinion of the Board that the statement objected to is reasonably supported by the record in the proceeding. This, however, is not material to the main questions at issue, which are whether the crossing at grade is of such danger that it should be altered, and whether the alteration will result in such improvement of conditions as will justify the use at this time of the men and materials required for the work to be done in accordance with the plan approved by the Board. That the crossing is dangerous to public safety and that public travel on the highway is impeded thereby are facts fully established by proof, and these facts are referred to in the order of the Board.

These are the conditions which, under the statute, the Board must find to exist before it orders the alteration of a crossing at grade. In the Board's opinion, as stated in its report, the change desired will not only make conditions safer for users of the highway, but is a part of a plan which will materially improve traffic conditions where there is much need of such improvement. The fact that certain parties who may be affected have not agreed with

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the railroad company to co-operate with it in the performance of the work upon mutually satisfactory terms has no effect upon the order of the Board and is no reason why its order should be changed in any particular.

In view, however, of the fact that some misunderstanding appears to exist because of the Board's statement of its understanding that the company had arranged on satisfactory terms for the co-operation of the other parties in interest, the Board deems it advisable to issue this supplementary report so that it may be clearly understood that absence of such co-operation does not affect the order or provide a sufficient reason for revoking or modifying it.

Dated March 25th, 1918.

No. 535.

JOHN H. BAHRENBURG vs. PENNSYLVANIA RAILROAD COMPANY.
ELIZABETH ICE COMPANY vs. PENNSYLVANIA RAILROAD COMPANY.
ALMETH WHITE vs. PENNSYLVANIA RAILROAD COMPANY.

1. An agreement between a shipper and a railroad company, whereby as a condition precedent to the reconstruction of a plant destroyed by fire, a freight rate was fixed, is without binding effect as a tariff rate supersedes a contract rate.

2. To increase rates on certain commodities not considered as bearing a proper relationship to other commodities with respect to proportionate revenue is logical and a proper method to produce additional revenue, but such plan cannot be interpreted to permit excessive increases.

3. To arrive at a fair and reasonable rate basis for hauling ice, consideration is given to all the elements of transportation, competition, conditions of ice production at the plant and the necessity of enlarging the earning capacity of the railroad.

4. Increased rates submitted are held to be excessive and rates involving the increases in part only are permitted.

Frederic L. Ballard, for the Pennsylvania Railroad Co.

John H. Bahrenburg et al. vs. Pennsylvania Railroad Co.

Carlyle Garrison, for John H. Bahrenburg.

W. H. Knowles, for Elizabeth Ice Company.

Almeth White, pro se.

As the complaints in these cases cover rates on ice moving in same territory under similar operating conditions, they will be considered together. Objection is made to the increased rates effective December 1st, 1914, applying between Lawrenceville and Trenton, Newark and Elizabeth, and Newark and Rahway, all points located on the Main Line Division of the Pennsylvania Railroad.

Pursuant to directions of the Interstate Commerce Commission contained in its first decision in the Five Per Cent. Case involving an exhaustive investigation of the rate situation, the request for a general five per cent. increase in freight rates was denied, but the Commission pointed out means of providing additional revenue. One of the suggestions directed railroad companies to increase unduly low and unremunerative rates. Considering the ice rates applying between points referred to as coming within the designated class of low and unremunerative rates, the rate between Lawrenceville and Trenton was increased from 40 cents per ton to 45 cents per ton; between Newark and Elizabeth from 30 cents per ton to 45 cents per ton, and between Newark and Rahway from 37 cents per ton to 50 cents per ton. These rates were made effective in tariff dated December 1st, 1914.

Continuing decreasing revenue compelled the railroad companies to apply to the Interstate Commerce Commission for relief, which was apparently justified, as said Commission, subsequent to December 1st, 1914, permitted the general increase of five per cent. This increase was not added to the ice rates in effect prior to said date. Following the suggestions of the Interstate Commerce Commission, and as specific limitations were not defined covering the extent of the permitted increases of unremunerative rates, the respondent company arbitrarily adopted a scale of increased ice rates.

The complaint of John H. Bahrenburg alleges an unreasonable and excessive increase of rate on ice between Lawrenceville and

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Trenton. This rate was increased from 40 cents per ton to 45 cents per ton, and latter rate was suspended pending the outcome of proceeding before the Board. It appears that about the year 1900 when the rehabilitation of the complaintant's ice plant at Lawrenceville was under consideration, it having been destroyed by fire, an agreement was effected with the Railroad Company as a condition precedent to such reconstruction, fixing a rate on ice of 40 cents per ton between Lawrenceville and Trenton. The stipulations are presumed to be contained in communications between the complainant and the respondent company. As to the legality of such an agreement, it can be concluded that it is without binding effect in this instance, owing to the well-established law that a tariff rate supersedes a contract rate. (*Menasha Wooden Ware Co. vs. Minneapolis, St. Paul and Sault Ste. Marie, Supreme Court, Wisconsin*, Vol. 159, p. 130. Same case, Supreme Court of the United State, decision *per curiam*, December 10th, 1917.) An opinion by latter court was not rendered, it being considered unnecessary in view of the established law holding that the laws regulating common carriers supersede contracts relating to rates. Determination of rate in this case will, therefore, be made irrespective of the alleged contract fixing rate of 40 cents per ton.

To increase rates on certain commodities not considered as bearing a proper relationship to other commodities with respect to proportionate revenue is logical, and a proper method to produce additional revenue, but such plan cannot be interpreted to permit excessive increases. Increasing the ice rate between Lawrenceville and Trenton twelve and one-half per cent., considering the low value of the commodity, and the required service, does not appear reasonable. Evidence of cost of service and supporting proof by the respondent for the rate increases is lacking, other than exhibits of financial operations prepared as evidence in the Five Per Cent. Increase Case and the directions of the Commission to increase low and unremunerative rates on commodities not carrying a sufficient rate to insure a reasonable revenue.

From comparisons of ice rates, to which it was necessary to resort in determining a reasonable rate basis for the haul between Lawrenceville and Trenton, it would appear that the rate of 45 cents

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per ton is somewhat excessive for transportation of ice in box cars between said points. To arrive at a fair and reasonable rate basis, consideration has been given to all the elements of transportation, competition, conditions of ice production at Lawrenceville, also the necessity of enlarging the earning capacity of the respondent company. It is concluded, a rate of 42 cents per ton, which represents a five per cent. increase of rate now in effect, should be considered a fair and reasonable rate between Lawrenceville and Trenton.

Complainant also contends that he is not allotted a proportional share of refrigerator cars for transporting ice. A considerable reduction in shrinkage in transit results from the use of this class of equipment, and as counsel for the respondent at the hearing stated that arrangements could be made to furnish complainant a proportional share of available wooden refrigerator cars, it is assumed that such arrangement will be made. The loss in transit by shrinkage as between box car and refrigerator car service represents a difference of about ten per cent. As there is an advantage to the shipper in the use of refrigerator cars, and such equipment represents a higher grade of service with greater maintenance cost, it should be entitled to a higher rate than box-car service. For all shipments of ice moving in refrigerator cars, a rate will be fixed of 45 cents per ton.

The complaint of the Elizabeth Ice Company alleges the unreasonableness of the rate increase on ice between Newark and Elizabeth. The rate in effect prior to December 1st, 1914, was 30 cents per ton. On said date the rate was increased to 45 cents per ton. The distance between Newark and Elizabeth being the same as between Lawrenceville and Trenton, six miles, and as all points are located on the Main Line, with similar train operation, the conclusion covering rate between Lawrenceville and Trenton will apply as between Newark and Elizabeth. A rate of 42 cents per ton for box-car service and 45 cents per ton for refrigerator service will be considered reasonable between Newark and Elizabeth.

Complaint of Almeth White also alleges excessive increase of rate on ice between Newark and Rahway, a distance of eleven miles. The rate in effect prior to December 1st, 1914, was 37

Permission to Increase Rates—Washington Gas Company.

cents per ton, and subsequent to said date rate was increased to 50 cents per ton. The same conclusions reached in determining the rate between Lawrenceville and Trenton will govern in fixing rate between Newark and Rahway. Rate of 45 cents per ton will therefore be considered reasonable for ice shipped in box cars between Newark and Rahway, and rate of 50 cents per ton for refrigerator car service.

The proposed schedules are disapproved. Schedules in accordance with conclusions herein expressed will be allowed to become effective.

Dated March 26th, 1918.

No. 536.

IN THE MATTER OF THE PETITION OF THE WASHINGTON GAS
COMPANY FOR PERMISSION TO INCREASE RATES.

1. In an application by a gas company for approval of increased rates, the Board, in the absence of a valuation of the company's property, will not pass upon the reasonableness of the existing rate, but its determination of the measure of relief to be afforded will be based entirely upon the fact that the company asks for such relief during the period of national emergency only.

2. A rate is allowed sufficient to enable the company to pay its expenses, taxes and interest on its debt.

John A. Riggins, for the company.

W. A. Stryker, for the objectors.

On February 25th, 1918, the Washington Gas Company filed a petition, requesting the Board to approve the following schedule of rates:

"1. Every connected consumer shall pay a service charge of 25 cents per service per month, without gas.

Permission to Increase Rates—Washington Gas Company.

“2. For all gas consumed every consumer shall pay \$1.50 net per thousand cubic feet for the first 5,000 cubic feet consumed in any one month; \$1.25 net per thousand cubic feet for the second 5,000 cubic feet consumed in any one month, and \$1 net per thousand cubic feet for all gas in excess of 10,000 cubic feet consumed in any one month.

“3. The above rates should be effective March 1st, 1918.”

At the hearing officials of the company submitted evidence purporting to show that in the present emergency the company faced a deficit which would prevent it from meeting interest on its funded debt and asked that the Board should afford the relief prayed for as an emergency measure.

No valuation of the property of the company was submitted on behalf of the petitioner as an exhibit nor has the Board on file a valuation of the property of the Washington Gas Company. For this reason the Board will not in this proceeding pass upon the reasonableness of the existing rate and its determination of the measure of relief to be afforded will be based entirely upon the fact that the company asks for such relief during the period covered by the national emergency only. Having no valuation by which to develop a proper schedule of rates, the Board does not consider it desirable to change the form of rate by adopting a service charge which has not been heretofore in effect in this territory.

In order that the costs necessary to be met by the company in the production and sale of gas may be clearly set forth, Table I is presented. The figures for 1916 and 1917 are actual, and for 1918 estimated on the basis of the trend of the prices now current.

 Permission to Increase Rates—Washington Gas Company.

TABLE I.

WASHINGTON GAS COMPANY.

SHOWING FOR THE YEARS 1916, 1917 AND 1918, THE TOTAL REVENUE DEDUCTIONS, THE INTEREST PAID, THE REQUIRED TOTAL REVENUE, THE REQUIRED REVENUE FROM GAS SALES, AND THE COST OF GAS SOLD, THE REVENUE PRODUCED BY THE RATE IN EFFECT OR TO BE PUT IN EFFECT AND THE RESULTING NET CORPORATE INCOME.

	Year 1916		Year 1917 Ex. P-1		Year 1918 Est. Petition	
	Amt.	Per M. cu. ft.	Amt.	Per M. cu. ft.	Amt.	Per M. cu. ft.
I. Production exptnse	3,549	.5863	4,233	.6510	5,203	.80
II. Transmission and dist.	380	.0628	417	.0641	455	.07
V. New Business	9	.0015	23	.0036	65	.01
VI. Genl. and Miscel.	916	.1513	978	.1503	975	.15
Total Operating Exp.	4,854	.8019	5,651	.8690	6,698	1.03
Taxes	585	.0968	628	.0966	780	.12
Uncollectible bills	11	.0018	8	.0012	0	.00
Total Revenue Deduc.	5,450	.9005	6,287	.9668	7,478	1.15
Interest Paid	2,712	.4480	2,670	.4106	2,670	.41
Required Total Revenue	8,162	1.3485	8,957	1.3774	10,148	1.56
Less Sundry Sales	152	.0252	95	.0146	100	.01
Cost Gas on this Basis	8,010	1.3233	8,862	1.3628	10,048	1.55
Gas Sales Acc. 302-303	8,294	1.3703	8,911	1.3704	10,340	1.59
Net Corporate Income	284	.0470	49	.0076	292	.04
M. cu. ft. sold	6,053		6,503		6,503	

A consideration of the above table would indicate that a base rate of approximately \$1.60 will be required in order that the company may pay its revenue deductions and its interest and have a leeway of \$200 or \$300 on the 1918 business. In view of the fact, however, that the company has already experienced losses during January and February of 1918 and cannot impose the rate which may be determined in this report during these months, this \$292 will probably not be secured as a surplus over and above expenses and fixed charges for the year 1918. The additional costs, indicated in Table I, are almost entirely due to the increase in the cost of fuel and oil as may be seen from Table II, giving the cost per thousand cubic feet of oil, bituminous coal and anthracite coal during the years 1916 and 1918, for the purpose of comparisons; 1918 is estimated, of course, on the basis of the trend of market prices.

Permission to Increase Rates—Washington Gas Company.

TABLE II.

WASHINGTON GAS COMPANY.

Cost of Fuel and Oil.		
	1916.	1918.
Oil 3.52 gals. at 8c.	0.1255	0.2816
Bituminous coal	0.0400	0.0610
Anthracite coal	0.1615	0.1900
	<u>0.3270</u>	<u>0.5326</u>

This indicates that the costs of fuel and oil alone used in the manufacture of the gas have increased nearly 21 cents, which approximates very closely to the total increase of 1918 over 1916 as shown in Table II.

The annual consumption per meter in this company is very small, approximating about 12,500 cubic feet per meter per year.

In paragraph four of the company's petition, the petitioner asks for a rate which will yield a total of \$1,800 over and above 1916 which the petitioner calculates will return approximately 30 cents per thousand cubic feet; but Table II indicates that the cost of gas sold in 1916 was \$1.3233, whereas, in 1918, the cost is estimated to be \$1.55 or 22 or 23 cents instead of 30 cents per thousand cubic feet as asked for; this difference arises from the fact that 1916 figures are based on 6,053 M. cu. ft. sold and 1918 are based on 6,503 M. cu. ft. sold. As some of this gas is sold at less than \$1.55, it is the opinion of the Board that the rate of \$1.60 will return an average rate of \$1.59 which during the nine months of the year remaining from April 1st, will allow the company to pay its expenses, taxes, and interest on its debt. This provides no return on its stock nor appropriation for depreciation of plant and property.

CONCLUSIONS.

The Board therefore finds that the petition in the form submitted will be denied with leave to the company to submit a new schedule as follows:

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“For all gas consumed each consumer shall pay \$1.60 net per thousand cubic feet for the first 5,000 cubic feet consumed in any one month; \$1.45 per thousand cubic feet for the second 5,000 cubic feet consumed in any one month; \$1.30 per thousand cubic feet for all gas in excess of 10,000 cubic feet consumed in any one month.

“The above schedule of rates is to be effective April 1st, 1918.”

Acceptance by the company of the increases herein indicated and allowed will be taken as a stipulation that abrogation or modification of the war surcharge may be made as and if conditions as indicated by operating results warrant.

Dated April 1st, 1918.

No. 537.

BOARD OF FREEHOLDERS OF THE COUNTY OF GLOUCESTER

VS.

ATLANTIC CITY RAILROAD COMPANY.

In an application for an order requiring a railroad company to install gates at a grade crossing the Board holds that reasonable protection would be afforded by the installation of a disc signal, loud tone bell, caution signs and a speed limit of six miles per hour for trains while passing over the crossing.

Oscar B. Redrow, for the complainant.

William L. Kinter, for the respondent.

The Board of Chosen Freeholders of Gloucester County filed a complaint alleging that the crossing at grade of the tracks of the Williamstown Branch of the Atlantic City Railroad at the highway known as County Road, in the Township of Glassboro, is dangerous; that the present protection is inadequate, and praying that the railroad company be required to install safety gates.

Freeholders, County of Gloucester, vs. Atlantic City Railroad Co.

Maps showing distances from which trains can be observed and photographs of physical conditions at the crossing were produced as evidence. From these it appears that the view of trains is obstructed to an unreasonable degree at one corner of the crossing only, that is, when traveling in a northerly direction, of trains moving in an easterly direction.

At the intersection of the highway and the right of way of the railroad company are two tracks, one main and one siding. The main track runs east and west; the highway north and south. The siding track connects with the main track at a point near the easterly side of the crossing and runs in a westerly direction, parallel with the northerly side of a storage building on the southwesterly corner. Existing protection at the crossing consists of standard grade crossing signs and automatic alarm bell located on the northwest corner.

Prior to the filing of the complaint an investigation of conditions at the crossing was made by the Board's Inspector, and a report submitted to the effect that the installation of an automatic moving disc signal in connection with automatic alarm bell would be reasonable protection; also that arrangements had been made with the railroad company to install such additional protection. The suggested increased protection being considered by the Board of Chosen Freeholders insufficient, a formal petition requesting installation of safety gates was filed, and hearing was held at Camden, March 18th, 1918.

County Road is an improved highway; the principal thoroughfare in the vicinity with heavy traffic over same. The schedule of trains of the Williamstown Branch shows five passenger trains each way passing the crossing during weekdays, and as testified by the assistant superintendent of the railroad company, there are additional freight train movements, making a total of fourteen trains operating on the branch each day, excepting Sundays. A less number of movements are made on Sundays. With fourteen scheduled movements, the average train movement over the crossing would be slightly more than one train each two hours during the entire day. The first morning northbound train passes the crossing about 5:20 A. M.; the last southbound train about 1:13

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A. M. Under existing schedule there is no northbound movement after 4:20 P. M.

The view of trains moving in an easterly direction is obstructed on the southwest corner for travel in a northerly direction until a point is reached close to the southerly rail of the siding track. From the northwest, northeast, and southeast corners the views of trains are practically unobstructed. At crossings where limited views prevail and conditions warrant, the policy of the Board is to require adequate protection by gates, flagman, or automatic devices, the use of either type depending upon necessary and reasonable protection based on highway and track conditions. The view of trains moving in an easterly direction at the County Road would come within the class of crossings requiring protection in addition to existing protection. The contention of the petitioner is that gates should be installed, and the railroad company takes the position that existing conditions do not require this class of protection. Under the circumstances, the Board must be guided in determining reasonable protection from the testimony adduced, and investigation of conditions by the Board's Inspector. The traffic on the highway is heavy, but owing to the small number of train movements and view of trains being obstructed at one corner of the crossing only, it would seem that additional protective devices other than the installation of gates would suffice to provide reasonable protection. An important factor in reducing the risk of grade crossing accidents is limiting speed of trains passing over such crossings, and it would seem that fixing a speed limit of six miles per hour while trains are approaching and passing over County Road crossing should be considered as a means of assuring safer traveling conditions than now exist, with some trains passing over the crossing at a speed of thirty miles per hour. As trains going in an easterly direction approach the crossing, the engineer being on the right side of the locomotive, could observe travel passing the angle of vision between the siding track and the easterly end of the storage building; and a train moving at a speed of six miles per hour would permit bringing it to a full stop practically at once, if necessary.

Further protection could be afforded by installing caution signs at both approaches to the crossing bearing the wording, "Caution--

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Railroad Crossing Distant 250 Feet." The automatic alarm bell located on the northwest corner would be more effective if placed on the southeast corner, as travel in a northerly direction would pass close to the bell. Owing to the limited view of trains moving in an easterly direction, the fullest warning should be provided on the southeast corner. It appears that cars are placed on the siding track in such position beyond the easterly line of the storage building as to materially interfere with the view of trains moving in an easterly direction. Cars so placed are for the convenience of the storage plant. Such placement should be avoided and arrangements made for unloading or loading at a point where standing cars will obstruct the view to the least possible extent. Additional protection could also be afforded by installing a mechanical signal device, visible to approaching travel, consisting of an oscillating red disc for daylight indications, and red lights at night. This type of signal to operate during the time trains are approaching and passing over the crossing.

Considering highway and track conditions at the crossing, to provide adequate protection, the installing of a disc signal, loud tone bell, caution signs, and establishing a speed limit of six miles per hour would appear to afford reasonable protection at the County Road crossing, and the Board will therefore require said protection to be provided. An order will accordingly issue.

Dated April 8th, 1918.

ORDER.

This case having been duly heard and submitted by the parties, and full investigation of the matters and things involved having been had, and the Commission having, on the date hereof, made and filed a report containing its findings of fact and conclusions thereon, which said report is hereby referred to and made a part hereof,

The Board of Public Utility Commissioners, after hearing, on notice,

HEREBY ORDERS the Atlantic City Railroad Company to make such arrangements that cars placed for loading and unloading will afford the least possible obstruction to the view of the crossing

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of its tracks by the highway known as County Road, in the Township of Glassboro, County of Gloucester; to limit the speed of all trains while passing over said crossing to a speed of not in excess of six miles per hour; to place and maintain two caution signs along the highway two hundred and fifty feet from the crossing, one on each side thereof, bearing the wording "Caution—Railroad Crossing Distant 250 Feet"; also to install and maintain at said crossing a mechanical signal device, visible to approaching travel, consisting of an oscillating red disc for daylight indication and red lights at night, and to install and maintain a loud-toned automatic bell at the southeast corner of said crossing.

This order shall become effective April 30th, 1918.

Dated April 8th, 1918.

No. 538.

IN THE MATTER OF THE APPLICATION OF HANOVER WATER COMPANY FOR APPROVAL OF ORDINANCE PASSED FEBRUARY 14TH, 1918, BY THE TOWNSHIP OF NEW HANOVER.

Approval is denied of a municipal ordinance granting a franchise to a water company, which ordinance might be construed to limit the power of the Board with respect to rates; which contains a provision granting a preference or advantage in violation of law, and which gives the company an exclusive right to operate in the municipality.

Ward Kremer, for the petitioner.

Application is made to this Board by the Hanover Water Company for the approval of an ordinance of the Township of New Hanover, entitled "An ordinance granting to the Hanover Water Company permission to use the streets laying west of Wrightstown and the contiguous territory in the County of Burlington, and State of New Jersey, for the purpose of laying water pipes, making certain other constructions necessary for the carrying on

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of the business of the water company, and for the purpose of supplying inhabitants of the said Wrightstown with water.”

The application is made under Section 24 of Chapter 195 of the Laws of 1911, which provides:

“No privilege or franchise hereafter granted to any public utility, as herein defined, by any political subdivisions of this State, shall be valid until approved by said Board, such approval to be given when, after hearing, said Board determines that such privilege or franchise is necessary and proper for the public convenience and properly conserves the public interests, and the Board shall have power in so approving to impose such conditions as to construction, equipment, maintenance, service or operation as the public convenience and interest may reasonably require.”

The procedure adopted in the enactment of the ordinance, approval of which is asked, complies substantially with the provisions of the statute, commonly designated “Limited Franchise Act, Chapter 36, Laws of 1916,” and the acts supplemental thereto and amendatory thereof. Certain additional proofs are required before this can be definitely determined.

The ordinance itself, however, contains certain objectionable clauses, which are as follows:

“NOW, THEREFORE, Be it ordained by the Township Committee of the Township of New Hanover that the Hanover Water Company be and the same is hereby given the exclusive permission and right to lay its pipes and mains, ranging in size from four inches to ten inches or larger, if the company elects, and to extend the same from time to time through all the streets and alleyways of Wrightstown, which are now or may be hereafter laid out; and

“BE IT FURTHER ORDAINED, That the Township Committee of the Township of New Hanover grant the said exclusive permission to the said company to construct wells, pumps and other necessary constructions and to do all and every act necessary for the carrying on of the bus-

Approval of Ordinance—Hanover Water Company.

iness of the said water company and the supplying of water to Wrightstown and the inhabitants thereof.

“AND BE IT ORDAINED, That all water used by consumers shall be charged for at a rate not exceeding seventy cents per thousand gallons measured through water meters furnished by the company; the said rate to be subject to the approval of the State Board of Public Utility Commissioners, the company to have the right to charge a minimum annual rate of twelve dollars whether the quantity used at the rate aforesaid shall amount to that sum or not, and the additional sum of two dollars per year for the use of the meter; and all meters will be the property of and be under the supervision of the water company and if out of order must be replaced or repaired upon written order of said company; all water used in excess of the minimum rate shall be charged for and paid for at the rate of seventy cents per thousand gallons. The company shall have the right to make all reasonable rules for the management of its business, collection of rentals and other rules relating to the said business, and necessary for the operation thereof.

“AND BE IT ORDAINED, That the company shall furnish to the township four hydrants and the water therefore during the term of this ordinance for fire purposes only, without any charge, such hydrants to be placed at such places on the existing lines of water pipe as may be designated by the water committee of the Township Committee; provided, however, that the Township of New Hanover shall pay to the Hanover Water Company the annual rental of five dollars payable each three months, on the first days of January, April, July and October for each additional fire hydrant so erected, for the full term of this franchise; it being distinctly understood that the rental of any and all hydrants so erected shall commence on the first day of the next month succeeding its erection, and shall continue for the entire remainder of the term of this ordinance, and that such hydrants are to be used exclusively for fire purposes and for no other. Also that the said company shall

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furnish water to the township for sprinkling purposes within the said territory above described, for streets and parks which may be under the jurisdiction of the said township and in the said Wrightstown, at the rate of thirty cents per thousand gallons."

Hearing was had at the State House April 9th, 1918.

The power of this Board in approving ordinances is contained in the provision of the act herein cited. The Board cannot approve the ordinance submitted for the following reasons:

1. On April 2d, 1912, the Board adopted a ruling to the following effect, "That the Board withhold its approval of all municipal ordinances granting to any public utility any privilege in any public highway or place, that contain any provision relating to rates or service which does not clearly set forth that such provision is not in anywise to operate to limit or affect the exercise of the jurisdiction and control now or hereafter vested by law in this Board over rates and service." This ruling has since been adhered to and will not be departed from. The provision in this ordinance respecting the approval of the commission applies only to the maximum charge, and does not relate to rates, but rather limits the power of the Board as to rates. The municipality is without power to do this.

2. As to the provision in the ordinance relating to free service, the power of this Board is as provided for in the following section of the act, to wit: 18 (d) "No public utility as herein defined shall make or give, directly or indirectly, any undue or unreasonable preference or advantage to any person or corporation or to any locality or to any particular description of traffic in any respect whatsoever, or subject any particular person or corporation or locality or any particular description of traffic to any prejudice or disadvantage in any respect whatsoever." The Board has declined to approve a provision of an ordinance in violation of this section of the act.

The ordinance contains such a provision and for that reason cannot receive approval.

3. The provision conferring on a company exclusive permission within the territory covered by the ordinance this Board regards as fundamental.

Service—Neptunus Water Company.

The Board has frequently declined to approve a franchise to a competing company where an existing company in the territory is affording safe, adequate and proper service. In that respect the rights of the company, irrespective of the exclusive grant in the franchise, are protected. There would appear to be no necessity for such a provision. To approve an ordinance giving to a company the exclusive grant or franchise would seem to in itself give to the company a monopoly within the territory regardless of the character and quality of service afforded. The Board declines to do this. The Board finds and determines that the ordinance does not properly serve the public interest, and, therefore, withholds approval of the same.

If, and when the municipality shall amend the ordinance so as to properly change or strike out the objectionable provisions of the ordinance, which are now pointed out, the Board will give its approval, provided such additional proof is produced as this Board will indicate.

No delay or injury will ensue from the lapse of time required to amend the ordinance, because the community is now receiving water service from this company.

Dated April 9th, 1918.

No. 539.

IN THE MATTER OF SERVICE OF THE NEPTUNUS WATER COMPANY.

ORDER.

It having been represented to the Board that the Neptunus Water Company is a public utility operating at Cape May Court House, New Jersey, and that the said Neptunus Water Company is not supplying safe, adequate and proper service to those to whom it is the duty of the company to supply the same, the Board, after hearing, upon notice, finds and determines that the said Neptunus

Service—Vulcan Electric Light, Heat and Power Company.

Water Company does not furnish safe, adequate and proper service and fails to keep and maintain its property and equipment in such condition as to enable it to do so, and the Board HEREBY ORDERS and directs the said Neptunus Water Company to continue service to those connected to its distribution system, and to that end to repair or replace forthwith all water mains of the company's system which now are in such condition that adequate and proper service is not being afforded.

This order shall be immediately operative.

Dated April 10th, 1918.

No. 540.

IN THE MATTER OF SERVICE OF THE VULCAN ELECTRIC LIGHT,
HEAT AND POWER COMPANY.

ORDER.

It having been represented to the Board that the Vulcan Electric Light, Heat and Power Company is a public utility operating at Cape May Court House, New Jersey, and that the said Vulcan Electric Light, Heat and Power Company is not supplying electric service to those to whom it is the duty of the company to supply the same, the Board, after hearing, upon notice, finds and determines that the said Vulcan Electric Light, Heat and Power Company does not furnish safe, adequate and proper service and fails to keep and maintain its property and equipment in such condition as to enable it to do so, and the Board HEREBY ORDERS and directs the said Vulcan Electric Light, Heat and Power Company to continue service to those connected to its distribution system, and to that end to immediately do and perform the following:

1. Make such repairs to the company's 300-horsepower boiler as will be necessary to put the same in condition for safe operation. This may be done by procuring and using the repair parts

Service—Stone Harbor Electric Light, Heat and Power Company.

requisitioned by the superintendent of the company on February 8th, 1918.

2. Set up that portion of the company's steel stack which is in sufficiently good condition to admit of its use, there being approximately fifty feet in length of said stack in such condition.

3. Install a sixteen-inch blower such as is manufactured by the Power Turbo Blower Company, 17 Battery Place, New York City, or a blower of similar type and efficiency.

The Board FURTHER ORDERS and directs the said Vulcan Electric Light, Heat and Power Company to do such other things as may be necessary for the operation of the plant of the said company to enable it to supply service to those connected to its distribution system, and to supply such service, it being the duty of the Vulcan Electric Light, Heat and Power Company to continuously supply service without interruption.

This order shall be immediately operative.

Dated April 10th, 1918.

No. 541.

IN THE MATTER OF SERVICE OF THE STONE HARBOR ELECTRIC
LIGHT, HEAT AND POWER COMPANY.

ORDER.

The Board of Public Utility Commissioners, having held a hearing, of which due notice was given, on the question whether the Stone Harbor Electric Light, Heat and Power Company furnishes safe, adequate and proper service, the Board, after such hearing, finds and determines that the said Stone Harbor Electric Light, Heat and Power Company does not furnish safe, adequate and proper service and does not keep and maintain its property and equipment in such condition as will enable it to do so, and the Board HEREBY ORDERS the said Stone Harbor Electric Light,

Approval of Capital Stock—West Monmouth Water Company.

Heat and Power Company to continue service to those connected to its distribution system, and to that end to do and perform the following:

1. Repair forthwith the old submarine cable located at the company's drawbridge near Stone Harbor and put the same in operation.

2. Install, on or before August 1st, 1918, a portable standard watt-hour meter of 1, 10 and 20 ampere capacity, 110 and 220 volts, with which customers' meters may be tested.

3. Put pole lines in good operating condition on or before June 15th, 1918.

This order shall be immediately operative.

Dated April 10th, 1918.

No. 542.

IN THE MATTER OF THE PETITION OF THE WEST MONMOUTH
WATER COMPANY FOR THE APPROVAL OF THE ISSUE OF \$2,000
CAPITAL STOCK AND \$5,500 FIRST MORTGAGE BONDS.

William J. Lansley, for the company.

On March 16th, 1918, the West Monmouth Water Company asked for the approval of the Board for the issue of \$2,000 of its capital stock and \$5,500 of its first mortgage bonds to reimburse its treasury for expenditures for capital account, made prior to filing its petition.

This plant has been under construction during the past two years and this is the fourth petition asking the Board's approval for issues of securities. The vouchers of the company have been duly audited by the Board's inspectors and found to be proper with one exception, viz., the amount charged for engineering and superintendence, in addition to expenditures made for organization and franchise, which is \$4,200 or 15% of all other expendi-

New Schedule of Rates—Burlington Sewerage Company.

tures. In the opinion of the Board 10% is a sufficient allowance for that purpose. The Board will approve an issue of \$2,000 of capital stock and \$4,000 of first mortgage bonds, instead of \$2,000 capital stock and \$5,500 of bonds. A certificate will so issue.

Dated April 16th, 1918.

No. 543.

IN THE MATTER OF THE APPLICATION OF THE BURLINGTON SEWERAGE COMPANY FOR APPROVAL OF A NEW SCHEDULE OF RATES—RE-HEARING.

1. In considering an application by a sewerage company for approval of increased rates, the Board allows as a present value of physical property the sum of \$81,250.

2. To this is added \$15,000 for organization, franchise and other intangibles. Three per cent. is added to the sum thus obtained for working capital. One and two-tenths per cent. is allowed for accruing annual depreciation.

3. A rate schedule is fixed which will provide a return of six per cent. on the value allowed after meeting operating expenses and taxes and providing for amortization.

J. Fithian Tatem, for the company.

V. C. Palmer and *Ernest Watts*, for the City of Burlington.

On February 15th, 1918, the company filed a petition in the above matter, reciting, among other things, the following:

“1st. That on June 27th, 1914, the company filed with the Board of Public Utility Commissioners of New Jersey, a petition asking for the Board’s approval of a new schedule of rates, which schedule accompanied the petition.

“2d. That after hearings, at which testimony as to the reproduction value of petitioner’s plant and property was submitted, together with the company’s investment, earnings and expenses, the Board on March 22d, 1916, and March 21st, 1917, rendered reports in which the approval of said new schedule of rates was denied, the reasons for the denial being stated in said reports.

New Schedule of Rates—Burlington Sewerage Company.

"3d. That the decision of the Board was appealed from to the Supreme Court, which court, after hearing argument from all interested parties, handed down a decision on February 7th, 1918, and remitted the case to the Board in order that there may be proper findings.

"4th. That the facts which are in evidence in this matter before the Board show that the company has been seriously handicapped in the proper operation of its plant because of inadequate revenue, and if the company is to render safe, adequate and proper service it is imperative that speedy relief be granted.

"5th. That the company now respectfully petitions the Board for an early determination of the matter upon the record of the case now before the Board, and asks the Board to approve the schedule of rates heretofore filed and referred to in paragraph one hereof."

The Supreme Court handed down a decision on this matter on February 7th, 1918, stating: "This case is controlled by the opinion in the *Collingswood Sewerage Company vs. Borough of Collingswood*." A syllabus of the decision in the Collingswood case follows:

"1. Upon a petition by a utility company to the Board of Public Utility Commissioners for permission to increase rates, the petitioner is entitled to a formal determination of the claim advanced by it that existing rates are unjust and unreasonable, and this right is not met by an adjudication that the rates are not as low as to be confiscatory.

"2. By a consent given by a municipality to a sewerage company under the act of 1898 (P. L. 484; C. S. 3548), maximum and minimum rates were fixed; subsequently, the sewerage company petitioned the Board of Public Utility Commissioners for permission to increase rates. Held, that the Board had power to increase rates.

"3. An ordinance granting consent of a municipality to the incorporation of a sewerage company under the act of 1898 and fixing minimum and maximum rates is a grant upon condition rather than a contract; the Legislature may clothe a public commission with power to fix higher rates upon petition by the sewerage company.

New Schedule of Rates—Burlington Sewerage Company.

“4. Rates charged by a public service company may be unjust and unreasonable because too low as well as because too high.

“5. The Board of Public Utility Commissioners upon a petition by a sewerage company refused permission to raise rates, but found that the existing rates were not enough to enable the company to raise money to make necessary extensions and suggested municipal action which would make it possible for the company to obtain new capital. Held, that the Board should have ordered the necessary modification of rates and not have shifted the responsibility to the municipality.”

The new schedule of rates, for which the approval of this Board is sought, effective September 1st, 1914, is as follows:

FOR DWELLING HOUSES.

<i>Fixtures.</i>	<i>Annual Rate.</i>
Kitchen Sink	\$5.00
Each Additional Sink	1.00
Water Closets	Each 2.50
Urinals	“ 2.50
Bath Tubs	“ 2.50
Shower Baths	“ 2.50
Wash Stands	“ 1.00
Laundry Tubs	“ 1.00
Yard Hydrants	“ 5.00

FOR STORES AND OFFICES.

<i>Fixtures.</i>	<i>Annual Rate.</i>
Sinks or Washstands	Each \$4.00
Water Closets	“ 4.00
Urinals	“ 4.00

**FOR HALLS, PUBLIC BUILDINGS, MOVING PICTURE
HALLS, HOTELS AND SALOONS.**

<i>Fixtures.</i>	<i>Annual Rate.</i>
First Sink or Wash Stand	\$8.00
Each Additional Sink or Wash Stand	4.00
First Water Closet	10.00
Each Additional Water Closet	5.00
First Urinal	10.00
Each Additional Urinal	5.00

FOR FACTORIES.

For Each Employee per Year	\$1.00
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New Schedule of Rates—Burlington Sewerage Company.

MINIMUM CHARGE.

“An annual minimum charge of \$10 will be made for each sewer connection in event the annual rate for the fixtures in use do not amount to that sum.

CHARGE FOR ORIGINAL CONNECTION TO SEWER MAIN.

“A charge of \$5 will be made by the company for the original connection with the sewer main, which charge must be paid at the time application is made for the connection.

CHARGE FOR RE-CONNECTION TO SEWER MAIN.

“In case the sewer connection is cut off from any property, either on the written order of the owner or for any other cause, the company shall make the connection again only on the written order of the owner and on the payment of \$10 for making said connection; the permit (if any be required) to open the street to be secured or paid for by the owner.”

The provision of Section 2, f, of the original ordinance, passed by the Common Council of the City of Burlington, on March 12th, 1901, fixed the following maximum annual rates to be charged for sewer service by this company, in the language as follows:

“f. That the said Burlington Sewerage Company, its successors and assigns, are hereby authorized to charge not in excess of the following annual rates for sewerage service, which rates may be collected semi-annually in advance; provided, that said company shall not be compelled to establish a lower rate for a single building of less than six dollars.

SCHEDULE OF RATES—DWELLING HOUSES, PER ANNUM.

Water Closet	\$2.50	each	additional	one	\$1.00
Urinal	1.50	“	“	“	.38
Bath Tub	2.00	“	“	“	.75
Kitchen or Other Sink	1.50	“	“	“	.50
Stationary Wash Basin .....	.75	“	“	“	.50
Hydrant or Cellar Drain	2.00	“	“	“	1.00
2 Stationary Wash Tubs	1.00	“	“	“	.50

New Schedule of Rates—Burlington Sewerage Company.

STORES, PUBLIC BUILDINGS, FACTORIES, ETC., PER ANNUM.

Each Water Closet Basin	\$2.50
Each Sanitary Wash Basin .....	.75
Each Bath Tub	2.00
Each Kitchen or Other Sink	2.50
Each Hydrant or Cellar Drain	2.00

“HOTELS, LAUNDRIES, BREWERIES, LIVERY STABLES, SLAUGHTER HOUSES, SPECIAL RATES.”

The company claims that this schedule is based on a system requiring no disposal plant; the installation and operation of a disposal plant very considerably increases the cost of rendering the service.

It now becomes necessary to determine whether the proposed schedule of rates is just and reasonable from the record made in this case.

I. VALUE OF THE PROPERTY DEVOTED TO THE PUBLIC USE.**(a) Book Cost of Plant.**

On behalf of the company, Mr. Roth submitted the following figures showing the book cost of the property:

The Cost of the Original Plant, Paid for in Bonds	
(on Page 84 of the Printed Testimony) is.....	\$75,000
Service Extensions	13,135
Other Improvements	9,661
Total	\$97,796
Less Land Sold in 1903	500
Land Sold in 1913	780
Adjustment	199
Total Deductions	1,479
Leaving Book Cost as of December 31, 1913.....	\$96,317
Deducting Materials and Supplies	161
Gives a Book Cost of Fixed Capital of Only.....	\$96,156
This does not include contractor's loss of \$9,000.	

New Schedule of Rates—Burlington Sewerage Company.

(b) *Actual Cost of Plant Compared with Book Cost of Plant.*

On page 58 of the printed case, Mr. William H. Boardman, engineer for George Pfeiffer, Jr., who built the original plant, stated that the cost of the latter was as follows:

Contract Price for the Original Plant	\$58,000
Extra Allowances to Contractor	4,900
<hr/>	
Paid Contractor	\$62,900
Land Now Owned at Book Cost	1,620
<hr/>	
Total (Excluding Contractor's Loss) for which Bonds in the Amount of \$75,000 were issued	\$64,520
The \$75,000 also includes Organization Expense.	
Add Amounts Paid for Service Connections (Book).....	13,135
Add Amounts Paid for Other Improvements (Book).....	9,661
<hr/>	
Total	\$87,316
This \$87,316 plus Organization Expense is Com- parable with the \$96,156 Book Cost, above shown in Section I (a).	
Add Contractor's Loss not Paid by the Company.....	9,000
<hr/>	
Actual Cash Cost of Property Exclusive of Organization Expense	\$96,316
Deduct Materials and Supplies	161
<hr/>	
Fixed Capital as of December 31, 1913	\$96,155
This is practically the same amount given as the book cost of fixed capital by Mr. Roth.	

(c) *Valuation of the Property by Appraisals.*

On behalf of the company, the property of the Burlington Sewerage Company was appraised by William H. Boardman and the result of his appraisal, rearranged and adjusted, will be shown in Table I. We omit therefrom all additions for bond discount not suffered by the company and, in the opinion of the Board, not a proper addition to fixed capital.

A valuation was made on behalf of the objectors by Harry M. Herbert, and is shown in Table II.

New Schedule of Rates—Burlington Sewerage Company.

TABLE I.

BURLINGTON SEWERAGE COMPANY—APPRAISAL OF W. H. BOARDMAN AS OF SEPTEMBER, 1914, EX. P-2.
Rearranged and adjusted (see Case, pp. 253 to 263).

Acc. No.	Net Cost	Depreciable Assets	Cost to Repro- duce	Years		Depreciation computed on net cost		Value	Present Value Adjusted	
				Ac- quired	Age to Life 7-1-14	%	Amt.		%	Amt.
1. Land—Disposal Plant	\$1,620	\$165	\$1,785	1902-14	6*	6	...	\$1,785	100	\$1,785
2. Collecting System	62,641	6,396	69,037	1902	12	12	\$3,758	65,279	90*	62,133
3. Pump Well	960	98	1,058	1902	12	12	116	942	88	931
4. Pumping Station	1,750	179	1,929	1902	12	12	210	1,719	88	1,697
5. Pumping Equipment	2,753	281	3,034	1902	12	50	1,376	1,658	52***	1,577
6. Septic Tank	3,165	323	3,488	1902	12	12	380	3,108	88	3,070
7. Broad Surface Irrigation Plant	4,613	471	5,084	1902	12	12	553	4,531	88	4,474
8. Resurfacing streets (a)	2,478	253	2,731	.....	.....	.....	.....	2,731	88	2,404
9. Tool Equipment (a)	224	23	247	.....	.....	.....	.....	247	100	247
10. Office Equipment (a)	274	28	302	.....	.....	.....	.....	302	100	302
11. Barn and Farming Implements (a)	832	85	917	.....	.....	.....	.....	917	100	917
Totals Tangible Fixed Capital	\$81,310	\$8,302	\$89,612				\$6,394	\$83,218	80.3	\$79,537
Material and Equipment on hand	416	42	458				.....	458	100**	416
Total Tangible Property	\$81,726	\$8,344	\$90,070				.....	\$83,676	.....	\$79,953
Organization taken at 6.612% of \$81,726	.....	5,404	5,404				.....	5,404	100	5,404
Summary of Fixed Capital as of 9-30-1914 (omitting Materials and Supplies—Item 9).	\$81,726	13,748	\$95,474				.....	\$89,080	.....	\$85,357
Tangible Fixed Capital	\$81,310	\$8,302	\$89,612				.....	\$83,218	.....	\$79,537
Organization	.....	5,404	5,404				.....	5,404	.....	5,404
Total Fixed Capital	\$81,310	13,706	\$95,016				.....	\$88,622	.....	.....
Total Fixed Capital, Adjusted	\$81,310	13,706	\$95,016				\$10,075	.....	.....	\$84,941

(a) This amount is the present value by inspection.
*90% taken as present value on account of installation of part of collecting system after 1902.
**100% of net cost.
***Depreciation taken as ratio of age to life estimated, or 48%.

New Schedule of Rates—Burlington Sewerage Company.

TABLE II.
BURLINGTON SEWERAGE COMPANY—APPRAISAL OF H. M. HERBERT AS OF OCTOBER 3, 1914—EX. 0-2.

Acc. No.	Net Cost	Overhead and 3% Int. 10.21%	Cost to Repro- duce	Years		Depreciation Based on Net Cost		Present Value
				Age to 7-1-14	Life	%	Amount	
1. Land, Disposal Plant	\$1,620	\$166	\$1,786	.....	.....	.....	.....	\$1,786
2. Collecting System	63,286	6,461	69,747	12	100	12	\$7,594	62,153
3. Pump Well	829	85	914	12	100	12	100	814
4. Pumping Station	1,500	153	1,653	12	100	18	180	1,473
5. Pumps, Engines, etc.	3,058	312	3,370	12	20-25	50	1,529	1,841
6. Septic Tank	2,942	300	3,242	12	100	12	353	2,889
7. Broad Surface Irrigation Plant	5,193	530	5,723	12	100	12	623	5,100
8. Resurfacing Streets	2,452	250	2,703	.....	.....	.....	.....	2,703
10. Tools	223	23	246	.....	.....	.....	.....	246
11. Office Equipment	274	28	302	.....	.....	.....	.....	302
12. Barn and Contents	832	85	917	.....	.....	.....	.....	917
Total Tangible Fixed Capital	\$82,209	\$8,394	\$90,603	.....	.....	.....	\$10,379	\$80,224
9. Material on Hand	592	60	652	.....	.....	.....	.....	652
Total Tangible Property	\$82,801	\$8,454	\$91,255	.....	.....	.....	.....	\$80,876
Organization .....	.....	2,738	2,738	.....	.....	.....	.....	2,738
TOTAL, as appraised	\$82,801	\$11,192	\$93,993	.....	.....	.....	\$10,379	\$83,614
Summary of Fixed Capital (Omitting Materials and Supplies, Item 9).								
Tangible Fixed Capital	\$82,209	\$8,394	\$90,603	.....	.....	.....	\$10,379	\$80,224
Organization, 3% of \$91,255 .....	.....	.....	2,738	.....	.....	.....	.....	2,738
*Total Fixed Capital	\$82,209	\$8,394	\$93,341	.....	.....	.....	\$10,379	\$82,962

*Omitting materials and supplies.

New Schedule of Rates—Burlington Sewerage Company.

An appraisal was also submitted by Howard J. Webster, showing the reproduction cost of the property as of October 6th, 1914, to be \$82,116.28 and the present value of same to be \$66,733.39. Inasmuch as Mr. Webster did not, in deriving his unit costs, consider marshy conditions existing in the City of Burlington, but received his unit prices from a firm of engineers who prepared an appraisal of property located in another municipality (Case, p. 145), where conditions were dissimilar to those existing in the City of Burlington, his values do not appear to be so conclusive, and for that reason his appraisal will not be further considered in this report.

In Table I Mr. Boardman shows the cost to reproduce new the tangible fixed capital to be \$89,612, the present value of which, as computed by him, is \$83,218, with an accrued depreciation of \$6,394; the latter being derived from applying the percentage of accrued depreciation to the respective *net costs* instead of applying same to the *cost to reproduce* new the property. He also takes the average age of the collection system as six years, although it should be taken at an average of ten years. Making these adjustments to his present values would make the latter \$79,537 and the accrued depreciation \$10,075. Adding to the value of tangible fixed capital, organization and preliminary expenses of \$5,404, makes a total value of the cost to reproduce fixed capital of \$95,016, accrued depreciation, on the adjusted basis of \$10,075 and present value of \$84,941, all as of September, 1914. These values exclude materials and equipment on hand and relate only to fixed capital; materials and supplies will be included in the allowance for working capital.

Mr. Harry M. Herbert, as shown in Table II, estimates the cost to reproduce new the tangible fixed capital of the company at \$90,603; the present value, \$80,224, and the accrued depreciation, \$10,379, to which he adds for organization 3 per cent. of \$91,225 (which includes materials and supplies), or \$2,738. His values for all fixed capital, tangible and intangible, would, therefore, be as follows:

Cost to Reproduce New	\$93.341
Present Value	82.962
Accrued Depreciation	10.379
All as of October 31, 1914.	

New Schedule of Rates—Burlington Sewerage Company.

From a comparison of these two appraisals, it will be noted that the figures for tangible fixed capital with the adjustments made in Mr. Boardman's appraisal, as indicated, correspond very closely. Mr. Boardman's cost to reproduce new is \$89,612, and Mr. Herbert's corresponding figure is \$90,603. The figure of \$90,000 will be taken as the value for this item. With respect to the cost of organization and preliminary expenses, Mr. Boardman estimates the figure of \$5,404 for this item, whereas Mr. Herbert gives substantially one-half that amount, or \$2,738.

Taking into consideration, however, the book cost of the property in comparison with the actual cost, as shown by Mr. Boardman in Sections I (a) and I (b), and comparing the actual costs of organization, &c., shown in the Collingswood case, the Board takes the figure of \$5,000 as representing a fair allowance for organization and preliminary expense.

Mr. Herbert estimates the accrued depreciation in fixed capital to be \$10,379 and the adjusted figures derived from the lives shown by Mr. Boardman indicate an accrued depreciation of \$10,075. The amount of \$10,000 will be taken for this item.

Recapitulating, as of September 30th, 1914, the Board takes as the cost to reproduce new all fixed capital of this company, the sum of \$95,000; the accrued depreciation, \$10,000, leaving the present value of the property \$85,000, which includes organization expense of \$5,000.

(c) Intangible Capital.

The petitioner's secretary submitted, in Exhibit P-5, a statement setting forth the company's view of the cost of developing the business. For the reasons stated in the report of the Board in the Collingswood Sewerage Company case, issued simultaneously with this report, this exhibit will not be regarded as of proper evidential value. For the same reason, however, the Board will allow as intangible value in addition to the \$5,000 allowed for organization, franchises and preliminary expenses, the unearned accrued depreciation of \$10,000, or a total of \$15,000 over and above a present value of the physical property of \$80,000.

In Table III is shown a summary of the value of the property of the petitioner as allowed September 30th, 1914; December 31st, 1917, and as estimated for 1918, round figures being used.

New Schedule of Rates—Burlington Sewerage Company.

TABLE III.

BURLINGTON SEWERAGE COMPANY.

VALUE OF PROPERTY, AS ALLOWED, AS A BASIS FOR MAKING RATES.

	1914 Sept. 30.	1917 Dec. 31.	1918 Estimated
Organization, Franchise and Preliminaries....	\$5,000	\$5,000	\$5,000
Intangible Value	10,000	10,000	10,000
Total Intangibles	\$15,000	\$15,000	\$15,000
Present Value of Physical Property.....	80,000	80,890	81,250
TOTAL Fixed Capital	\$95,000	\$95,890	\$96,250
Add 3% for Working Capital	2,850	2,875	2,890
TOTAL Value of Property for the Purpose of Making Rates	\$97,850	\$98,765	\$99,140

II. APPROPRIATION TO PROVIDE FOR ANNUAL ACCRUING DEPRECIATION.

For this purpose the Board will take as a fair amount to be appropriated to provide for accruing annual depreciation, 1.2 per cent. of the value of the total fixed capital in the respective years. This is the same percentage as used in the Collingswood case. While the percentage for this purpose should be more logically applicable to depreciable property only, until the character of the property changes, the above rule will be more convenient to apply.

III. OPERATING EXPENSES AND TAXES.

Table IV shows, for the years 1912 to 1914, averaged the years 1915 to 1917, averaged, and for the years 1912 to 1917, averaged, an analysis of the ordinary operating expenses, ordinary legal expenses, and extraordinary legal expenses, all of which have been quite variable, and taxes, which show a tendency to rapidly increase. Periods are taken because certain expenses go up and down in cycles or periods. Total amounts are given and also the amounts per connection in order to get the proper relation with respect to the individual customers. This table shows that the ordinary expenses for the years 1912 to

New Schedule of Rates—Burlington Sewerage Company.

TABIE IV.
BURLINGTON SEWERAGE COMPANY—OPERATING EXPENSES AND TAXES FOR PERIODS SHOWN.
1918 Estimated, Others Actual.

Average Number of Connections.	1912-1914 1246		1915-1917 1337		1912-1917 1292		1918 1358	
	Average Amount	Per Connection	Average Amount	Per Connection	Average Amount	Per Connection	Average Amount	Per Connection
Wages	\$2,950	\$2.37	\$3,222	\$2.41	\$3,086	\$2.39	\$4,250	\$3.06
Fuel	1,724	1.38	1,620	1.21	1,672	1.29	1,750	1.26
Repairs	134	0.11	524	0.39	329	0.25	550	0.39
Other Expenses	1,033	0.83	1,317	0.98	1,175	0.91	1,450	1.03
Total Ordinary Expenses, 3 yr. av.	\$5,841	\$4.69	\$6,683	\$4.99	\$6,262	\$4.84	\$8,000	\$5.76
Legal Expenses, ordinary 3 yr. av.	34	0.03	22	0.02	28	0.02	25	0.02
Legal Expenses, rate case	230	0.18	334	0.25	282	0.22	150	0.10
Taxes, last year of period	739	0.59	1,428	1.07	1,083	0.84	1,655	1.20
Total Revenue Deductions	\$6,844	\$5.49	\$8,467	\$6.33	\$7,655	\$5.92	\$9,830	\$7.08
Depreciation, 1.2% of Fixed Capital	1,140	0.91	1,150	0.86	.....	.....	1,150	0.83
Interest, 1914, 6% on \$97,850	5,871	4.71	.....	.....	.....	.....	.....	.....
Interest, 1917, 6% on \$98,765 .....	.....	.....	5,926	4.44	.....	.....	.....	.....
Interest, 1918, 6% on \$99,140 .....	.....	.....	.....	.....	.....	.....	5,942	4.28
Total revenue required	\$13,855	\$11.11	\$15,543	\$11.63	.....	.....	\$10,922	\$12.19
Produced by new rate	\$15,398	.....	\$16,366	.....	.....	.....	\$16,015	\$11.97

New Schedule of Rates—Burlington Sewerage Company.

1914 averaged \$4.69 and for the period ending 1917, \$4.99, an average for the six-year period of \$4.84. Ordinary legal expenses were negligible, whereas legal expenses incurred in the rate case were 18 cents for the first period and 25 cents for the second period; this being an unusual expense, is not apt to continue in the future.

The taxes, averaged for the first period, were \$739, although actually \$1,164 for 1914 and for the second period ending 1917 were \$1,428, although actually, for the year 1917, \$1,514. As compared with 1912, taxes for 1918 will have increased 200 per cent. The total revenue deductions for the first period, as shown, were \$5.49; for the second period, \$6.33, an average for the six-year period of \$5.92. Coming, now, to 1918, the evidence shows that the items of labor will necessarily increase, due both to war conditions and to the fact that heretofore the holding company has paid the administrative expenses with respect to bookkeeping and similar items, which are properly chargeable to the Burlington Sewerage Company and should be paid by it. Making these adjustments, the record indicates that the ordinary expenses for 1918 will amount conservatively to \$8,000, or \$5.76 per connection, and the total revenue deductions to \$9,830, or \$7.08 per connection. The company's estimate for 1918 assumes the costs for 1917 will obtain in 1918, but includes therein extraordinary legal expenses of \$700, and repairs of \$903, which latter is abnormal, inasmuch as this figure is substantially equal to the total repairs for the preceding five years. This item is taken at \$550 in the estimate shown in Table IV, which, together with the allowance of \$1,150, would appear to be ample to take care of current repairs and accruing depreciation. The amount of \$10,980, allowed for deductions and appropriations for accruing depreciation, is considered by the Board to be a fair and reasonable amount to provide for these items for the year 1918.

The growth of the Burlington Sewerage Company has been very slow and the increasing costs of operation are not being compensated for by the addition of a larger number of customers who will serve to distribute overhead costs which are not proportional to the number of customers. According to the evidence, quite a large number of the houses in Burlington are not connected with this sys-

New Schedule of Rates—Burlington Sewerage Company.

tem. It would appear that the company should exercise the greatest diligence in its efforts to increase the number of connected customers, thereby decreasing the average cost per connection, which would enable it to charge reasonable rates and at the same time earn an adequate net revenue with which to pay a fair return on the capital devoted to serving the public.

IV. TOTAL REVENUE REQUIRED TO FURNISH A REASONABLE RETURN.

Table IV shows the total revenue required by the company in order that it may earn 6 per cent. per annum on the capital herein allowed as used and useful in serving its customers (see Table III); that it may appropriate one and two-tenths per cent. of the amount of fixed capital for amortization to preserve it unimpaired, and that it may pay its operating expenses and taxes under efficient management. Taking the revenue required per connection, the table indicates on the last line that this was substantially \$11.11 for the period ending 1914, subject to minor adjustments for miscellaneous revenue received in addition to sewer revenue, and for taxes in excess of the average amount; that the comparable item for the period ending 1917 had increased to \$11.63, subject to a small modification, and that for 1918 the amount required per connection, as estimated, had increased to \$12.19. The revenue estimated to be produced by the new rate, *provided that all customers remain connected with the company and will pay the new rate*, was \$15,398 for the year 1914; \$16,366 for the year 1917, and \$16,615 for the year 1918, all as estimated by the company. On this assumption the rates for 1914 would produce a revenue in excess of a 6 per cent. return. In 1917 the returns would produce practically 6 per cent. In 1918 the revenue would be several hundred dollars under the 6 per cent. return. It would appear then, that, in view of the conditions existing for the last two years, the schedule of rates as filed by the Burlington Sewerage Company is fair and reasonable. On the other hand, there were 501 customers occupying dwelling houses, who, under the old rates, paid \$6 per annum and under the new rates will pay \$10 per annum. These are recapitulated in Table V.

New Schedule of Rates—Burlington Sewerage Company.

TABLE V.
BURLINGTON SEWERAGE COMPANY—RECAPITULATION.

Number	Old Rate	New Fixture Rate	To Make \$10 Minimum	
1	\$6	\$1	\$9	\$10
1	6	3.50	6.50	10
220	6	5	5	2200
95	6	6	4	950
147	6	7.50	2.50	1470
37	6	8.50	1.50	370
—				
501				

It is suggested that the company make a very careful study and canvass of these 501 customers with a view to ascertaining whether or not the company will receive larger actual income from these 501 customers by lowering the minimum rate to \$8 or \$9 rather than insisting on a payment of \$10 minimum with a much larger loss in the number of customers. It is a fact well established with respect to public utilities that an increase, for instance, of 25 per cent. in rates, will cause a loss of 10 or 15 per cent. of the attached customers, who refuse to pay the increase and that a larger increase in rates will cause a corresponding decrease in the number of attached customers. This is a practical operating question and can only be solved by a careful study and canvass of the question involved, and the Board will, therefore, not order the minimum rate reduced, but RECOMMENDS that the company adjust the minimum in accordance with the result of the study above suggested.

The Supreme Court remitted the record in this case to the Board to determine just and reasonable rates to be charged and imposed by the Burlington Sewerage Company.

In consideration of the foregoing, the Board finds and determines that the schedule of rates filed by the Burlington Sewerage Company is just and reasonable and will permit it to go into effect.

Dated April 16th, 1918.

New Schedule of Rates—Collingswood Sewerage Company.

No. 544.

**IN THE MATTER OF THE APPLICATION OF THE COLLINGSWOOD
SEWERAGE COMPANY FOR THE APPROVAL OF A NEW SCHEDULE
OF RATES—RE-HEARING.**

1. In considering an application of a sewerage company for approval of increased charges the sum of \$150,000 is fixed as the value of the physical property and for organization and legal expenses. From this \$16,400 is deducted as accrued depreciation. Five per cent. of \$150,000 is allowed for working capital and one and two-tenths per cent. for annual amortization of capital.

2. A rate schedule is fixed which will provide a return of six per cent. on the value allowed after meeting operating expenses and taxes and providing for amortization.

J. Fithian Tatem, for the company.

F. D. Weaver, for the Borough of Collingswood.

J. W. Wescott, for the citizens of Collingswood.

On February 15th, 1918, the company filed a petition in the above matter, reciting, among other things, the following:

“1st. That on June 20th, 1914, the company filed with the Board of Public Utility Commissioners of the State of New Jersey a petition asking for the Board’s approval of a new schedule of rates, which schedule accompanied the petition.

“2d. That after hearings at which testimony as to the reproduction value of the petitioner’s plant and property was submitted, together with the company’s investment, earnings and expenses, the Board, on March 22d, 1916 (P. U. R., Vol. IV, p. 426), and March 21st, 1917, rendered reports in which the approval of the new schedule of rates was denied, the reasons for the denial being stated in said reports.

“3d. That the decision of the Board was appealed from to the Supreme Court (on a writ of *certiorari*) which court, after hearing argument from all interested parties, handed down a decision

New Schedule of Rates—Collingswood Sewerage Company.

on February 7th, 1918, setting aside the Board's order in the matter and remitted the case in order that there might be proper findings.

"4th. That the facts which are in evidence in this matter before the Board show that the company has been seriously handicapped in the proper operation of its plant because of inadequate revenue, and if the company is to render safe, adequate and proper service, it is imperative that speedy relief be granted.

"5th. That the company respectfully petitions the Board for an early determination of the matter upon the record now before the Board, and asks the Board to approve the schedule of rates heretofore filed in paragraph one hereof."

The syllabus of the New Jersey Supreme Court's decision in this matter is as follows:

"1. Upon a petition by a utility company to the Board of Public Utility Commissioners for permission to increase rates, the petitioner is entitled to a formal determination of the claim advanced by it that existing rates are unjust and unreasonable, and this right is not met by an adjudication that the rates are not so low as to be confiscatory.

"2. By a consent given by a municipality to a sewerage company under the act of 1898 (P. L. 484; C. S. 3584), maximum and minimum rates were fixed; subsequently the sewerage company petitioned the Board of Public Utility Commissioners for permission to increase rates. Held, that the Board had power to increase rates.

"3. An ordinance granting consent of a municipality to the incorporation of a sewerage company under the act of 1898 and fixing minimum and maximum rates is a grant upon condition rather than a contract; the Legislature may clothe a public commission with power to fix higher rates upon petition by the sewerage company.

"4. Rates charged by a public service company may be unjust and unreasonable because too low as well as because too high.

"5. The Board of Public Utility Commissioners upon a petition by a sewerage company refused permission to raise rates, but found that the existing rates were not

New Schedule of Rates—Collingswood Sewerage Company.

enough to enable the company to raise money to make necessary extensions and suggested municipal action which would make it possible for the company to obtain new capital. Held, that the Board should have ordered the necessary modification of rates and not have shifted the responsibility to the municipality.”

The new schedule of rates, for which approval is sought, effective as of September 1st, 1914, is as follows:

“FOR DWELLING HOUSES.

<i>Fixtures.</i>	<i>Annual Rate.</i>
Kitchen Sink	\$6.00
Each Additional Sink	1.00
Water Closets	Each 3.00
Urinals	“ 3.00
Bath Tubs	“ 3.00
Shower Baths	“ 3.00
Wash Stands	“ 1.00
Laundry Tubs	“ 1.00

FOR STORES AND OFFICES.

<i>Fixtures.</i>	<i>Annual Rate.</i>
Sinks or Wash Stands	Each \$5.00
Water Closets	“ 5.00
Urinals	“ 5.00

FOR HALLS, PUBLIC BUILDINGS AND MOVING
PICTURE HALLS.

<i>Fixtures.</i>	<i>Annual Rate.</i>
First Sink or Wash Stand	\$10.00
Each Additional Sink or Wash Stand	5.00
First Water Closet	15.00
Each Additional Water Closet	5.00
First Urinal	5.00
Each Additional Urinal	5.00

FOR FACTORIES.

For Each Employee per Year	\$1.00
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FOR SCHOOLS.

For Each Room per Year.....	\$10.00
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New Schedule of Rates—Collingswood Sewerage Company.

MINIMUM CHARGE.

“An annual minimum charge of \$12 will be made for each sewer connection in event the annual rate for the fixtures in use do not amount to that sum.

CHARGE FOR ORIGINAL CONNECTION TO SEWER MAIN.

“A charge of \$10 will be made by the company for the original connection with the sewer main and for the service pipe to the curb (not including trap or vent box), which charge must be paid at the time application is made for the connection.

CHARGE FOR RE-CONNECTION TO SEWER MAIN.

“In case the sewer connection is cut off from any property, either on the written order of the owner or for any other cause, the company shall make the connection again only on the written order of the owner and on the payment of \$10 for making said connection; the permit (if any be required) to open the street to be secured and paid for by the owner.”

The provision of Section 2 of the original ordinance, passed by the Borough Council of Collingswood on March 2d, 1900, fixed the following maximum schedule of rates to be charged for sewer service, in the language following:

“Section 2. AND BE IT ORDAINED, That the semi-annual price or rent charged property owners and patrons for the use of the said sewerage system shall not exceed the sum of four dollars and fifty cents (\$4.50) and shall not be less than two dollars and fifty cents (\$2.50) for a property containing nine (9) rooms or less, and twenty-five (25c.) cents additional for each and every room exceeding said nine rooms. In case any business properties shall make unusual demands for the service of the said sewerage system, the semi-annual price or rent to be charged shall be agreed upon, the same to be based upon a comparison with the service rendered in the case above mentioned and not to exceed a corresponding maximum.”

New Schedule of Rates—Collingswood Sewerage Company.

The company claims that this schedule was based on a system requiring no disposal plant and that the installation and operation of the latter nearly doubles the annual cost of the service.

It now becomes necessary to determine whether the proposed schedule of rates is just and reasonable from the record made in this matter.

I. VALUE OF THE PROPERTY DEVOTED TO THE PUBLIC USE.

(a) *Book or Investment Costs of Plant.*

Mr. W. H. Roth, secretary of the company, submitted the following figures showing the book or investment cost of the property. On page 60, line 13 of the printed transcript of the testimony, he states that the total book cost of the property was \$151,932.01, but, as shown on line 17 of the same page, this includes bond discount charged to capital account amounting to \$18,957.54, which leaves \$132,974.47, excluding bond discount. On page 38, line 17 of the printed testimony he states that the organization and preliminary expenses amount to \$8,543.83; deducting this from \$132,974.47, leaves, by difference, the cost of the physical plant as \$124,430.64, as of January 1st, 1914. With respect to bond discount being included in capital charges, this will be taken up later under the head of intangible capital.

(b) *Valuation of Property by Appraisal.*

On behalf of the company, this property was appraised by William H. Boardman and the results of his appraisal, rearranged and adjusted, will be shown in Table I.

Valuations were also submitted, showing the reproduction cost, by G. L. Robinson and W. DeWitt Vosbury, on behalf of the objectors.

Mr. Robinson stated, on cross-examination, that he had omitted a number of items, and valued the land and rights of way at \$3,900 instead of \$7,500 to \$8,000, as shown by the book costs and by the appraisals of the other two engineers. If these adjustments be made and his estimate of going value be taken, his adjusted

New Schedule of Rates—Collingswood Sewerage Company.

TABLE I.
COLLINGSWOOD SEWERAGE COMPANY—VALUATION OF PROPERTY BY WM. H. BOARDMAN.
From Ex. P-1, Rearranged, cents omitted.

Item No.	ITEMS.	Net Cost (1)	Overhead		Cost to Reproduce New (4)	Life Years (5)	Age Year (6)	Accrued Dep'n	Present Value		Annual Dep'n		
			% (2)	Amount (3)					30-14 (9)	Adjusted (10)	\$ Amt. (11)	(12)	
COLLECTION SYSTEM													
	1. Land, rights of way	\$726	13.42	\$97					\$822	\$822	....	0
	2 and 10. Col. System, Resurfacing...	88,105	13.42	11,153		100	6		39,787	85,775	1.00	\$943	
	SUBTOTAL	\$83,830	13.42	\$11,250					10,609	\$86,597	....	\$943
DISPOSAL PLANT, SIPHON, ETC.													
	11. Land	\$6,072	13.42	\$815					16,887	\$6,887	0	0	
	12. Pumping Station	5,547	13.42	744		100	12		6,625	5,588	1.0	\$63	
	13. Office Building	111	13.42	15		100	12		113	111	1.0	1	
	14. Mechanical Equipment	3,254	13.42	437		24	12		2,064	1,846	4.2	165	
	6 and 7. Settling Tank, C. Beds and Equipment	15,636	13.42	2,098		100	12		16,857	15,605	1.0	177	
	8 and 9. Sludge Beds	1,500	13.42	210		100	12		1,588	1,568	1.0	18	
	SUBTOTAL, Displ. Pt....	\$32,186	13.42	\$4,319					32,134	\$31,548	....	\$414
	4. Siphon	7,535	13.42	1,014		48	12		6,062	6,410	2.1	179	
	SUBTOTAL	\$39,720	13.42	\$5,350					38,796	\$37,958	....	\$593
	Company's tools	0	....	....					....	....	....	....
	TOTAL PHYSICAL PROP.	\$123,550	13.42	\$16,580			7.65	\$10,725	\$129,405	....	1.1	\$1,536
	Case 138. Organization (book cost)	8,644	6.00	512				15,676 (4)	....	\$124,565	....	....
									9,066	....	....	....
	TOTAL VALUE 9-30-14	\$132,094	....	\$17,092				....	\$138,461	\$133,611	1.0	\$1,536

(1) Depreciation not computed on \$8,692 paying over.

(2) Depreciation based on net cost, and not cost to reproduce.

(3) Depreciation based on reproduction cost.

(4) Adjusted by deducting the percentage of accrued depreciation in column (7) applied to cost to reproduce each item and by taking 9% accrued depreciation for collection system.

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TABLER II.
COLLINGSWOOD SEWERAGE COMPANY—VALUATION OF PROPERTY BY REMINGTON AND VONBURY.
From Ex. P-4, rearranged, annual depreciation computed, cents omitted.

Item No.	ITEMS.	Net Cost.	Overhead		Cost to Reproduce New.	Annual Dep'n		Life Age Yrs.	Accrued Dep'n		Present Value.
			%	Amount		%	Amount		%	Amount	
COLLECTION SYSTEM.											
2.	Land, rights of way	\$825	6.	\$49	\$874	0	0	...	...	0	\$874
3.	Collection system	73,893	27.5	20,320	94,213	1.33	\$1,253	75	10.6	\$9,986	64,227
	SUBTOTAL	\$74,718	27.3	\$20,369	\$95,087	...	\$1,253	...	10.5	\$9,986	\$85,101
DISPOSAL PLANT, SIPHON.											
1.	Land	\$6,382	12.1	\$775	\$7,157	0	0	...	...	0	\$7,157
5-A.	Pumping Clstern	6,346	29.5	1,672	8,218	2.5	\$205	40	30.	\$2,465	5,753
5-B.	Mechanical Equipment	2,785	29.7	827	3,612	5.	180	20	20.	722	2,890
5-C.	Building	130	0	0	130	2.5	3	40	25.	33	97
5-D.	Settling Tank, C. Beds, Equipment	16,619	29.7	4,936	21,555	5.	862	20	20.	4,311	17,244
5-E.	Sludge Beds	2,309	29.7	625	2,934	1.7	(1)52	...	80.	2,076	919
	SUBTOTAL, PLANT	\$34,571	26.3	\$9,094	\$43,667	2.98	\$1,302	...	22.	\$9,607	\$34,060
3.	Siphon Line	4,796	27.5	1,319	6,115	3.33	203	30	13.5	826	5,289
	Total, Disposal Plant, Siphon	\$39,367	26.4	\$10,415	\$49,782	3.02	\$1,505	...	21.0	\$10,433	\$39,349
6.	Company's Tools	\$100	0	0	\$100	...	...	...	...	0	\$100
	Total Physical Property	\$114,185	27.0	\$30,785	\$144,969	1.90	\$2,758	...	14.1	\$20,419	\$124,550
	Organization Expense(2)	8,544	6.	512	9,056	...	...	...	...	...	9,056
	TOTAL	\$122,729	...	\$31,297	\$154,025	1.8	\$2,758	...	...	\$20,419	\$133,606

(1) Scrap Value, \$400.
Service Value, \$2,595.
Depreciation for obsolescence. Exhibit failed to include scrap value in Present Value. Annual depreciation taken at 10% of \$519 remaining service value.
(2) Taken the same as in Boardman's Estimate for Comparison.

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totals would not vary sufficiently to change the determination hereinafter arrived at, and, for that reason, no detailed table showing his valuation is given. He gives no estimate of the present value of the property in his exhibit. This conclusion is further confirmed by the testimony of Dr. Rudolph Hering, who stated that, in his opinion, the value of the physical property, as shown by Mr. Robinson, might well be increased ten per cent.

In Table I Mr. Boardman shows the total net cost of the physical property to be \$123,550, which is practically the same as the book cost shown by Mr. Roth. To this, for interest during construction and engineering and superintendence, he adds 13.42 per cent. or \$16,590, making a total cost of \$140,130 to reproduce physical property. He deducts \$10,725 for accrued depreciation, making a net present value of \$129,405 as of September 30th, 1914. In arriving at this figure, however, he has made, as we take it, three departures from current practice in this respect viz.: He has applied his percentage for accrued depreciation to the *net cost* instead of the *cost to reproduce*; he has applied no depreciation to cost of paving over mains. With respect to the collection system, although 50 per cent. of this has been installed for twelve years and the remaining 50 per cent. installed during twelve years, which would make an average life of nine years, he has assumed an average life of six years. Making these adjustments decreases the present value from \$129,405 to \$124,555. For organization and preliminary expenses he assumes the book value of \$8,544 increased by 6 per cent. for one year's interest during construction, which makes, for organization expenses, \$9,056. Adding this to the preceding figures for physical property gives as the cost to reproduce new a total of \$149,186, present value as computed by Mr. Boardman, \$138,461; present value on the adjusted basis as indicated, \$133,611.

Mr. Vosbury's cost to reproduce new amounts to \$144,969; his accrued depreciation, \$20,419, and his present value, \$124,550, as of September 30th, 1914. Adding organization expenses of \$9,056 to these figures, to make the total comparable with those of Mr. Boardman, indicates a cost to reproduce new of \$154,025; deducting therefrom \$20,419 indicates a present value of \$133,606. This present value is substantially the same as that of Mr. Board-

New Schedule of Rates—Collingswood Sewerage Company.

man, as adjusted. The difference in cost to reproduce new is practically all accounted for by the difference in the estimated cost of paving over the mains. If this be deducted from Mr. Vosbury's cost to reproduce new, the resulting figure is substantially \$150,000.

We take Mr. Boardman's estimate of the cost of repaving as more nearly approximating the fact, he having been more familiar with the company's operations from their inception. This will indicate for the physical property and for organization and legal expenses an average reproduction cost new of \$150,000, a present value of \$133,600, and an accrued depreciation of \$16,400, which will be taken as a basis for rates.

(c) *Intangible Capital.*

The petitioner's secretary submitted, in Exhibit P-2, a development cost study, purporting to show that the company was entitled to an addition of \$92,832.75 to its tangible capital to recompense it for unearned profits on the basis of 6 per cent. return on its capital since 1902. The evidential value of this exhibit is greatly impaired by certain erroneous assumptions made in its preparation, viz.:

1. BOND DISCOUNT.—Mr. Roth assumes that bond discount, amounting to a total of \$21,976.53 (\$18,957.54 allocated to capital expenditures and \$3,018.99 to operating expense) should be carried into the calculation at that figure and should earn 6 per cent. compound interest on the full amount. Even assuming that bond discount is to be charged to capital (an assumption contrary to the rulings of this Board, except in so far as the amount to be amortized *during construction is concerned*), it is wholly improper to carry the full amount of \$21,976.54 into the calculation. The average date of the allowance of this discount was 1906, and the bonds mature in 1936, 30 years later. If 6 per cent. compound interest be added to \$21,976.54 for 30 years, the total so accumulated would amount to \$126,102, with which to meet the discount of \$21,976.54. On the other hand, reversing the calculation, the present value, in 1906, of \$21,976.54 to become payable in 1936, was \$3,823; and on the assumption made by Mr. Roth, this is the total that should have been included in his capital and operating

New Schedule of Rates—Collingswood Sewerage Company.

expense base, subject to slight modifications from taking 1906 as an average date instead of taking the actual present value of each amount of discount, in the year in which allowed. In the opinion of the Board, however, bond discount is to be treated as a variation in the method of paying interest. United States Thrift Stamps furnish another illustration of the idea. Four dollars and twelve cents, paid in January, 1918, secure to the purchaser the payment of five dollars in five years. According to the method of Mr. Roth, these five-dollar stamps should be valued at five dollars when purchased.

2. DEPRECIATION APPROPRIATION.—Mr. Roth adds each year 1 per cent. of his capital (including accrued deficits) to operating expenses to provide for accruing depreciation, but fails to credit to capital at the end of each year the fund so created out of earnings. The result is that the deficit shown by his exhibit includes some \$16,000 to \$17,000 for depreciation, and this amount is added to his *undepreciated* estimate of book cost of property, thus duplicating the claim for accrued depreciation in his totals. His exhibit, therefore, is not helpful in arriving at a solution of the problem.

The original plant of the Collingswood Sewerage Company was installed by the National Gas and Construction Company (printed Case, p. 60), which took the bonds and stocks of the sewerage company in payment, subject to such discounts as were allowed; these securities were later purchased by the American Pipe and Construction Company, the present owner. The bonds were taken at an average of 85.3 per cent., which, at 5 per cent. interest, indicates a return of about 6 per cent. on the proceeds. Maximum rates were prescribed by the ordinance under which the sewer company operated, which rates were, presumably, known to the American Pipe and Construction Company at the time it purchased these securities from the original owners. The purchaser, under such circumstances, is certainly chargeable with knowledge. It appears, therefore, that the method adopted by Mr. Roth to determine development cost should not be used, as this presupposes that the company had a right to impose rates higher than the maximum prescribed by the ordinance in order to secure a more adequate return on its capital. This method will not, therefore, be followed

New Schedule of Rates—Collingswood Sewerage Company.

in this case. On the other hand, it seems that the company is, in equity, entitled to have its original investment devoted to public use, preserved at its full value as a basis for rates. It is manifest that the revenues received by the petitioner have not been sufficient to provide for accruing depreciation, and the amount of the accrued depreciation in plant and property, in addition to the organization and development expense of \$9,056, heretofore shown, will, therefore, be taken as the measure of the intangible capital to be allowed to the petitioner. The amount so allowed is \$16,400, exclusive of organization costs.

(d) Working Capital.

An examination of the annual reports of this company, properly verified and filed with this Board, indicates that a fair allowance for this item is 5 per cent. of the fixed capital; for 1914 this amounts to \$7,500 on the basis of \$150,000 hereinbefore allowed. This per cent. is derived by eliminating the unusually high figures shown in the 1916 report of the petitioner, which appear to be abnormal.

In Table III is shown a summary of the value of the property of the petitioner, as allowed, for September 30th, 1914, for December 31st, 1917, and as estimated for 1918, round figures being used.

TABLE III.

VALUE OF PROPERTY, AS ALLOWED, AS A BASIS FOR MAKING RATES.			
	1914 Sept. 30	1917 Dec. 31	1918 Estimated
Organization, etc.	\$9,000	\$9,000	\$9,000
Intangible Value, Unearned Depreciation.....	16,400	16,400	16,400
Total Intangibles	\$25,400	\$25,400	\$25,400
Present Value of Physical Property.....	124,600	130,600	140,600
Total Fixed Capital	\$150,000	\$156,000	*\$166,000
Working Capital 5 per cent. of Preceding.....	7,500	7,800	8,300
Total Value of Property for the Purpose of Making Rates	\$157,500	\$163,800	*\$174,300

*This is assuming that the company will make net average additions of \$10,000 to its property in 1918. See company's estimate.

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II. APPROPRIATION TO PROVIDE FOR ANNUAL ACCRUING DEPRECIATION.

The lives of property in service, as taken by Mr. Boardman, applied to the reproduction new values, as adjusted by including the cost of paving over, indicate that about one and one-tenth per cent. of the value of the reproduction cost new will be required for annual accruing depreciation (see Table I, col. 11). If taken in ratio to total fixed capital, the percentage is 1 per cent. The corresponding figure of Mr. Vosbury, adjusted for paving over, and related to total fixed capital, is one and eight-tenths per cent. In consideration of the long-lived property in the collection system and real estate, the Board is of the opinion that one and two-tenths per cent. of the fixed capital will provide a sufficient appropriation to provide for the annual amortization of capital, and it so finds and fixes that percentage.

III. OPERATING EXPENSES AND TAXES.

Table IV shows, for the years 1912 to 1914*, the years 1915 to 1917*, and for the years 1912 to 1917*, an analysis of the ordinary operating expenses, legal expenses, which have been quite variable, and taxes, which show a tendency to rapidly increase. Total amounts are given, and also amounts per connection; the latter are quite pertinent in consideration of rates, as they take into account the addition of customers which serves to distribute costs not directly related to the number of customers. This table shows that ordinary expenses have been \$3.59 per connection for the three years ending 1917, as compared with \$4.08 for the preceding three-year period, although the *total amount* has increased about 5 per cent.; legal expenses, heavy in the earlier period, were negligible in the latter period; taxes, however, increased 50 per cent. in the latter period, and will be very nearly doubled in 1918. The total revenue deductions, exclusive of depreciation, declined from \$6 per connection in the three-year period, ending 1914, to \$5.01 per connection to the period ending 1917. The increased costs incident to the war necessitate an estimate, based on present conditions and those which are apt to prevail for

*Averaged.

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TABLC IV.
COLLINGSWOOD SEWERAGE COMPANY—OPERATING EXPENSES AND TAXES 1912 TO 1917 BASED ON COMPANY'S ANNUAL REPORTS—1918 EST.

	1912 to 1914		1915 to 1917		1912 to 1917		1918	
	Averaged	Per Connection	Averaged	Per Connection	Averaged	Per Connection	Averaged	Per Connection
Average Number of Connections	\$1,384(1)	.....	(1) \$1,054(2)	.....	(1) \$1,519(2)	.....	\$1,860(2)	.....
Revenue Deductions.								
Wages	\$3,035	\$2.20	\$3,175	\$1.92	\$3,106	\$2.05	\$5,000	\$2.69
Fuel	820	.59	691	.42	755	.50	800	.43
Repairs	442	.32	420	.25	431	.28	450	.24
Other Expenses	1,345	.97	1,062	1.00	1,504	.99	1,600	.86
Total Ordinary Expenses	\$5,642	\$4.08	\$5,948	\$3.59	\$5,795	\$3.82	\$7,850	\$4.22
Legal Expenses	1,480	1.07	56	.03	768	.50	250	.14
Taxes	1,186	.85	2,299	1.39	1,742	1.15	3,000	1.61
Total Revenue Deductions	\$8,308	\$6.00	\$8,303	\$5.01	\$8,305	\$5.47	\$11,100	\$5.97
Depreciation 1.2% of Physical Value	1,800	1.30	1,872	1.13	.....	.....	1,992	1.07
Interest 1914 6% on \$157,500	9,450	6.83	.....	.....	.....	.....	.....	.....
Interest 1917 6% on \$163,800 .....	.....	.....	9,828	5.94	.....	.....	.....	.....
Interest 1918 6% on \$174,300 .....	.....	.....	.....	.....	.....	.....	10,461	5.62
Total Revenue Required	\$19,558	\$14.13	\$20,003	\$12.08	.....	.....	\$23,553	\$12.66

(1) Roth's testimony; Taton's letter—information from company.
(2) Estimated increase.

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several years, which will revert substantially to the cost per connection shown for the three-year period ending 1914. It is, therefore, evident, that, had not the war intervened, the growth of this system during the three years ending 1920 would have shown still further decreases in the cost per connection.

IV. TOTAL REVENUE REQUIRED TO FURNISH A REASONABLE
RETURN.

Table IV also shows the total revenue required by the company in order that it may earn 6 per cent. on the capital herein allowed, as used and useful in serving its customers; that it may appropriate one and two-tenths of the amount of its fixed capital for amortization of capital to preserve it unimpaired, and that it may pay its indicated operating expenses and taxes. Taking the revenue required per connection, the table indicates (last line) that this was \$14.13 for the three-year period ending 1914, and \$12.09 for the three-year period ending 1917; even with the larger operating expenses and taxes estimated for 1918, the indicated revenue required for 1918 is only \$12.66. The company estimates that the new proposed rates will afford a revenue for 1918 of about \$24,700; adding to this the sum of \$1,100 (the average for the three years ending 1917) for house connections and miscellaneous revenue, gives a total estimated revenue of about \$25,800, as compared with \$23,553 required, which will be reduced to about \$25,600 by modifications (1) and (2) following. This, in the opinion of the Board, indicates that the proposed schedule of rates may be modified in the following manner and yet afford the company an adequate revenue, viz.:

(1) Reduce the proposed minimum annual bill from \$12 to \$11.

(2) In private residences occupied by a single family a second water-closet shall be subject to an annual charge, or rate, of \$1.50 instead of \$3, as proposed in the schedule submitted by the company.

(3) The schedule of fixture rates and of annual minimum bills shall be considered as gross rates, subject to a discount of 8 per cent. if paid within fifteen days after the same shall become due and payable in accordance with bills rendered.

Issue of Common Stock—Middlesex Water Company.

The Supreme Court remitted the record in this case to the Board to determine just and reasonable rates to be charged and imposed by the company. In accordance therewith, the Board finds and determines that the schedule of rates to be charged and imposed heretofore filed, except in so far as modified herein, are just and reasonable.

Dated April 16th, 1918.

No. 545.

IN THE MATTER OF THE APPLICATION OF THE MIDDLESEX WATER COMPANY FOR APPROVAL OF AN ISSUE OF ONE HUNDRED AND TWENTY-FIVE THOUSAND DOLLARS PAR VALUE COMMON STOCK.

Approval of a stock dividend is withheld where the petitioner has not furnished an enumeration of its property and appraisement thereof in writing.

Application has been made by the Middlesex Water Company, by petition in writing, for the approval of an issue of common stock to the par value of one hundred and twenty-five thousand dollars (\$125,000). It appears that this issue is to be in the nature of a stock dividend. The Board on September 28th, 1914, adopted a supplement to its Conference Ruling 13, which supplement reads as follows:

“Whenever application is made by a public utility for approval of a proposed issue of capital stock, and such issue is proposed to be based upon the investment of earnings in plant, which might have been distributed in dividends, the public utility must, in addition to the information now required by the rules, furnish to the Board a complete detailed enumeration of its property and appraisement thereof in writing, and produce before the Board at the hearing, evidence in support of such enumeration and appraisement.”

The enumeration of the property of the Middlesex Water Company, and the appraisement thereof in writing have not been fur-

Increase in Rates—Bridgeport Water Company.

nished. The Board's rules not having been complied with, the Board is unwilling, therefore, to approve the issue of stock proposed, and WITHHOLDS ITS APPROVAL of the same.

Dated April 22d, 1918.

No. 546.**IN THE MATTER OF THE APPLICATION OF THE BRIDGEPORT WATER COMPANY FOR APPROVAL OF INCREASE IN RATES.**

The Bridgeport Water Company has asked the Board to approve an increase in its minimum rate from seven dollars (\$7) to fifteen dollars (\$15) per year. The company also asked the Board to approve an addition to the company's "Rules and Regulations," reading as follows:

"Whenever I permit or my tenant permits to become frozen or otherwise injured or destroyed the meter furnished by the company to my property, the cost of a new meter and the expense of setting it shall be borne and forthwith paid by me and the injured or destroyed meter shall then become my property."

The Board will permit the increase in the minimum rate to be filed, without approval, and subject to challenge as to its reasonableness by any interested party.

The Board has approved a regulation applying to water meters, reading as follows:

"Meters will be maintained by the utility so far as ordinary wear and tear are concerned, but damage due to freezing, hot water or external causes shall be paid for by the customer."

It is the opinion of the Board that instead of the petitioner adopting the rule proposed in its petition it should adopt a rule similar to that which has been approved by the Board, and which is quoted herein.

The rule, therefore, proposed by the petitioner, will be **DISAPPROVED**.

Dated April 22d, 1918.

J. C. Bentley vs. Plainfield-Union Water Company.

No. 547.

J. C. BENTLEY

VS.

PLAINFIELD-UNION WATER COMPANY.

1. If the reasonableness of rates of a public utility is challenged it should be upon proper application, and ruling made after due hearing and the submission of the necessary proofs.

2. The Board is without power to order reparation, even if it determines that existing rates are unjust and unreasonable.

3. Acceptance by a water company of orders for water to be supplied in construction work, which orders contain a provision that the price charged shall be subject to such reduction or increase in price as may be agreed upon between the applicant and the company, or to such reduction or increase as may be fixed by the Public Utility Commission, does not require the Commission to fix the rate.

4. The company is bound to render service according to its existing rates to all parties for like service and existing rates must be held to be the proper charges for service already rendered.

5. A rule of a water company that it has a right to shut off the supply of water, when bills remain due and unpaid for thirty days is reasonable.

C. McK. Whittemore, for the complainant.

Foster M. Voorhees, for the respondent.

L. Edward Herrmann, for the Commission.

Informal complaint was made that the charges for water used by petitioner for certain street paving and curbing are excessive. The petitioner, in a letter dated August 29th, 1917, requests the Board to restrain the respondent from prohibiting petitioner from using water in construction work in Plainfield, as per letter dated August 25th, 1917, to that effect, sent by respondent to petitioner, and enclosed with complaint.

It appears that the petitioner had contracts for the construction of certain paving and curbing in the City of Plainfield, on the fol-

J. C. Bentley vs. Plainfield-Union Water Company.

lowing streets: West Seventh Street, between Grant and Park Avenues; Park Avenue, between Seventh and Ninth Streets; Watchung Avenue and Crescent Avenue, between East Sixth Street and East Seventh Street; East Seventh Street, between Park Avenue and Watchung Avenue; Madison Avenue, between West Front Street and West Second Street, performance of which required the use of water which was furnished by the respondent; that after discussion between petitioner and the company's representative as to rates for the water to be furnished, the company submitted a rate of one-fourth of a cent per square foot for street paving and one-half a cent per lineal foot for concrete curbing. It appears further that some work was started on all the contracts and water used in connection therewith prior to any orders for water supply being signed and filed by petitioner with respondent. There appears on a slip attached to the order for West Seventh Street, Exhibit R-1, the following typewritten memorandum:

"A part of and attached to Form No. 2 9-15-3M. Subject to such reductions or increase in price as may be agreed upon between the applicant and the Plainfield-Union Water Company; and if no agreement can be effected between said parties, then such reduction or increase in price as may be fixed by the Public Utility Commission."

It also appears that on the remaining four orders, each dated September 11th, 1917, and marked Exhibits R-2, 3, 4 and 5, respectively, there is a typewritten insertion as follows:

"Subject to such reductions or increase in price as may be agreed upon between the applicant and the Plainfield-Union Water Company; and if no agreement can be effected between said parties, then such reduction or increase in price as may be fixed by the Public Utility Commission."

The respondent claims that the rate given petitioner, as above mentioned, was one-fourth of a cent per square foot for street paving, and one-half a cent per lineal foot for concrete curb, and that when orders for water supply were issued to petitioner to sign and file, no stipulations as above mentioned were attached thereto or inserted therein, and that said rates were the usual rates charged for all service of this character.

J. C. Bentley vs. Plainfield-Union Water Company.

Mr. Bentley claims, on the contrary, that when the order for water supply for West Seventh Street, Exhibit R-1, dated May 8th, 1917, was signed, he submitted the same, with the slip attached with the stipulation above set forth, and that in consequence thereof, a permit was issued to use the hydrant, and the company accepted check for \$75, Exhibit P-5, as a guarantee of payment.

It appears further that at the time said orders were filed with the company it accepted the same without expression of assent or dissent to the stipulations drafted by petitioner and attached thereto, or inserted therein.

Petitioner claims that the bills for water are excessive and out of proportion to the amount which should be charged by the company according to the amount of water used at its usual rates. It is also claimed that the rates charged by respondent to the petitioner are out of proportion and in excess of those charged for like service by various other water companies operating in other municipalities, and also in excess of the rates charged by respondent to one John Dorer for like service in the Township of Cranford, N. J. The estimate by petitioner, who is an engineer, as to the amount of water used on the work is based on tests made by him.

It appears further that this Board has never fixed rates for the respondent.

While it appears by the informal complaint that protest was made against what was considered an excessive charge by petitioner, without asking for rates to be fixed, the attorney for petitioner stated at the hearing that he desired rates to be fixed. The Board is of the opinion that there is not sufficient evidence to fix rates that would apply to the service in question. If the reasonableness of the rates is challenged it should be upon proper application, and ruling made after due hearing and the submission of the necessary proofs. The Board is without power to order reparation, even if it determines that existing rates are unjust and unreasonable. The only matter at issue is, has the company made a proper charge in accordance with existing rates for service given, and has it a right to refuse to furnish petitioner with water until such charges are paid?

It is claimed by petitioner that respondent discriminated in favor of one John Dorer by charging him \$300 for water service

J. C. Bentley vs. Plainfield-Union Water Company.

as used for an approximate amount of 19,000 square yards of concrete pavement laid by him in the Township of Cranford in the summer of 1917. The company's representative, Mr. Whelan, states that he has no recollection of this charge, and claims there was no intention to discriminate in favor of anybody. It was also further stated by Mr. Whelan that discounts are frequently allowed for cash settlements, and that he offered to discount petitioner's bill by reducing same from \$738 to \$625, in case of a cash settlement.

It appears further that rates for service of this character do not appear in the company's tariffs, Exhibit R-6. Mr. Whelan testified that the rates charged petitioner are the same rates charged to all parties for like service. The report of the Board's Inspector, made a part of the record in the case, also shows that an examination of the company's ledgers in the Plainfield and Westfield offices indicates that uniform charges have been imposed upon the complainant and others for water for the uses mentioned. During the past year the company has furnished water for similar work in Plainfield at the same rates charged the complainant, excepting that a heavier charge was made for water used in connection with the construction of a curb on Third Street, which was considerably heavier than the curb which is being installed by the complainant. The Westfield office records would indicate that the same rates were charged for similar work in Westfield during the years 1910 and 1916.

If the respondent discriminated in favor of Mr. Dorer it had no right to do so, but such action would not warrant the Board in approving a discrimination in favor of the petitioner, by reducing a universal existing rate for like service for water already used.

It may be contended that the company's acceptance, without dissension, of the various orders for supplying water, with the stipulation attached thereto, or inserted therein, bound it to such an extent that in case of a dispute as to charges, the matter should be settled by this Board's decision. This might be true in a proceeding between litigants in a court of law or equity, but under utility regulation, the respondent is bound to render service according to the existing rates charged to all parties for like ser-

New Schedule of Rates—Consolidated Gas Co. of New Jersey.

vice. It may be true that the rates are excessive; nevertheless, for reasons given, they are the existing rates, and must be held to be the proper charge for service already rendered, until such time as other rates shall be fixed.

In reference to the request in petitioner's complaint that the Board restrain the Plainfield-Union Water Company' from prohibiting petitioner from using water in construction work, according to its letter of August 25th, 1917, addressed to petitioner, this Board has no authority, under the law, to issue a restraining order. It appears in the rules, regulations and rates of the respondent company, Exhibit R-6, that the company has the right to shut off water when bills remain due and unpaid for thirty days. This rule is held to be reasonable.

The petition is, therefore, dismissed, upon the understanding, as agreed at the hearing, that the record in this case may be used by any party in interest in any proceeding brought by, or before, the Board for the fixing of rates of the respondent company.

Dated April 23d, 1918.

No. 548.

IN THE MATTER OF THE APPLICATION OF THE CONSOLIDATED GAS COMPANY OF NEW JERSEY FOR APPROVAL OF A NEW SCHEDULE OF GAS AND ELECTRIC RATES.

Application is made by a gas company for approval of increased rates.

1. It appears that, instead of increasing appropriations for creating a reserve, the company increased dividends on capital stock representing at most intangible values; that in part the dividend was paid out of accumulated surplus and almost entirely to a single party.

2. The Board refuses to increase rates, purporting to afford emergency relief, beyond the point necessary to enable the company to continue to render safe, adequate and proper service. Beyond such point the company should bear the burden.

 New Schedule of Rates—Consolidated Gas Co. of New Jersey.

Fred R. Cutcheon, for the petitioner.

C. E. F. Hetrick, for Asbury Park.

William A. Stevens, for Long Branch.

H. E. Rhodes, for the Long Branch Chamber of Commerce.

J. S. Applegate & Son, by *H. Truax*, for Red Bank.

A. F. Golden, for West Long Branch.

On February 6th the Consolidated Gas Company filed amendments to the gas and electric schedules in effect on that date, as follows:

AMENDMENT TO GAS RATE SCHEDULE.

“A War Emergency Charge will be added to all monthly gas bills, the amount of the charge depending upon the size of the gas meter required to furnish adequate service, as follows:

Three Light Meters	30c.
Five Light Meters	40c.
Ten Light Meters	50c.
Twenty Light Meters	60c.
Thirty Light Meters	70c.
Forty-five Light Meters	80c.
On all Meters larger than Forty-five Light	1.00

AMENDMENT TO ELECTRIC RATE SCHEDULE.

“A War Emergency Charge will be added to all electric bills the amount of the charge depending upon the size of the electric meter required to furnish safe and adequate service, as follows:

Five Ampere Meters	50c.
Ten Ampere Meters	60c.
Fifteen Ampere Meters	70c.
Twenty Ampere Meters	80c.
Twenty-five Ampere Meters	90c.
On all Meters larger than Twenty-five Amperes.....	1.00

New Schedule of Rates—Consolidated Gas Co. of New Jersey.

“We ask your approval of these amendments to the existing rate schedules on the express understanding that these increases are of a temporary character due to the very great increase in the cost of labor and materials entering into the production and distribution of gas and electricity, and that the War Emergency Charge herein provided for will be discontinued as soon as normal conditions are restored, or at any time upon the order of your Honorable Body.”

At a hearing held on March 5th, 1918, the company filed the following alternative amendment to its existing schedules of rates in consequence of facts brought out on the first hearing of the original petition, viz.:

“Your petitioner, the Consolidated Gas Company of New Jersey, sets forth that it has filed, under date of February 1st, 1918, an amendment to the existing rates of this company, embodying a schedule of War Emergency Charges to be added to all bills, the amount thereof depending upon the size of the meter through which service is furnished, and that your Honorable Body, having informally suspended the application of the aforesaid amendments, the matter of the approval of the proposed amendments is now before your Honorable Body at an adjourned hearing. Your petitioner further sets forth that the municipalities of Long Branch, Asbury Park and Red Bank have each, through their duly authorized representatives filed protests against the proposed amendments with your Honorable Body, which protests lay great stress upon the fact that the burden of the increased rates requested by the company will fall with undue weight upon the small consumers.

“Your petitioner does not concede that such is the case, but upon the contrary has already introduced evidence which we believe clearly shows that a much larger fixed charge would be justified; nevertheless, having no desire to impose a new form of rate against the wishes of the community which we serve, and being primarily interested

New Schedule of Rates—Consolidated Gas Co. of New Jersey.

in securing such an increase of revenue as will enable us to continue giving proper and adequate service, we hereby request that if your Honorable Body shall decide that it is in the public interest that this relief be granted by a horizontal increase in the existing rates rather than by an additional fixed charge as set forth in the amendments filed under date of February 1st, 1918, then your Honorable Body will authorize us to add to all of the existing rates for gas a War Emergency Charge at the rate of twenty cents per thousand cubic feet of gas sold, and will further authorize us to add to all of the existing rates for electricity a War Emergency Charge at the rate of one cent per kilowatt hour of current sold."

The existing rate schedules of this company, imposed by an order of this Board, effective September 1st, 1911, quoted from the Board's report dated July 25th, 1911, are as follows:

"EXHIBIT D.

NEW ELECTRIC RATES.

First 200 K. W. Monthly	15c.
Next 200 K. W. Monthly	12c.
All Over 400 K. W. Monthly	10c.
Loss in revenue based on 1910 business amounts to \$8,795.00.	

Annual contract rates same as in effect now, of six cents per K. W., plus a demand charge of \$1.20 per 50 watts connected up, plus \$12 per year consumer charge. This rate is optional, to be used only when it favors consumer.

Any consumer using his own plant and demanding more than 4 K. W. capacity must guarantee not less than \$50 per year per K. W. of demand.

Power rate of 10 cents per kilowatt hour.

Annual contract rate of six cents per kilowatt, plus \$12 per year per H. P., plus \$12 per year consumer charge. This rate is optional, to be used only when it favors consumers.

Minimum bill for service where meter is installed, \$1.

(The only changes are in prices per kilowatt hour.)

New Schedule of Rates—Consolidated Gas Co. of New Jersey.

GAS RATES.

First 10,000 cu. ft. Monthly	\$1.35
Next 40,000 cu. ft. Monthly	1.25
All over 50,000 cu. ft. Monthly	1.10
Less 10% per M. cu. ft. for payment in ten days.	
Loss in revenue based on 1910 business amounts to \$22,391.00.	

Annual contract rate same as in effect now, 70 cents per 1,000 cu. ft., plus a demand charge of \$30 per year per 100 cu. ft. of demand, plus \$12 per year consumer charge. This rate is optional, to be used only when it favors consumer.

A minimum bill of 25 cents per month where meter is installed.

The old rate of \$1.35 net per M. cu. ft. shall continue on the prepayment meters. Every consumer, however, to have the right to demand the regular ordinary type of meter.

(Changes are in the rates per M. cu. ft., and in the institution of a minimum charge.)”

The existing schedules were based on the results of an inquiry instituted by this Board, on its own motion, to determine the reasonableness of the schedules in effect in 1910, and became effective September 1st, 1911. These schedules were calculated to effect a reduction of about \$31,000 in revenue, based on 1910 consumption.

The value of the tangible fixed capital in 1911, on the basis of reproduction new, undepreciated, was \$1,623,260, omitting stock on hand (materials and supplies), of \$25,000 from the figures shown in P. U. C., N. J. Reports, Vol. I, p. 17. As the gas department began operations in 1864 and the electrical department began operations in 1894, it is probable that the depreciated or present value of the fixed capital in 1911 did not exceed the amount of the bond issue of about \$1,400,000. This being the case, the outstanding stock issue of \$1,000,000 represented the unearned depreciation and other development costs so far as it represented intangible values of any kind. In view of this fact the Board reached the conclusion that: “(3.) Some steps should be taken to write off some of the older portions of the plant, and by so doing bring the book value to a point more nearly corresponding to the physical value of the plant.”

New Schedule of Rates—Consolidated Gas Co. of New Jersey.

The company's annual reports, from 1912 to 1917 inclusive, do not indicate that the company has taken any steps to decrease the large excess of its book values over the tangible values of its property. On the contrary, it has continued to appropriate but \$12,000 per annum to provide for accruing depreciation, this being the sum that was appropriated in 1907; its reserve for depreciation, so created, was about \$74,000 in 1911 and had grown to but about \$97,000 in 1917. On the other hand, instead of increasing its appropriations for creating a reserve as recommended by the Board in 1911, it has increased its dividend of 4 per cent. on the \$1,000,000 of stock, representing at most only intangible values, to 8 per cent. in 1915 and thereafter; the dividend of 8 per cent. for 1917 was paid partly out of accumulated surplus, not having been earned out of current net revenue.

In view of these facts, it would appear that the Board should not increase rates of this company to a greater extent than is necessary for it to continue to render the service required by the community served. Such relief as may be afforded should be used in a conservative manner and not to continue the payment of dividends, largely increased in late years, before steps are taken to provide for making good accrued and accruing depreciation.

Using round figures, the average tangible fixed capital of the company for 1917 was \$1,899,000, the average working capital was \$92,000, a total of about \$1,991,000. Deducting from this the reserve of \$97,000, leaves \$1,894,000. The Board, in order to test the merits of the present application for emergency relief, will assume that, in the present state of development of this company, 6.3 per cent. earned during 1917 on this amount will afford an adequate return under the circumstances and do equal justice to company and customer. The stock of this company is held almost entirely in a single ownership, and the increased dividends have been received by the same party; a return to the dividend rate formerly prevailing will not work any great or widespread hardship when all the facts are considered. The Board will not increase rates purporting to afford emergency relief beyond the point necessary to enable the company to continue to render safe, adequate and proper service. Beyond that point the company should bear the burden.

New Schedule of Rates—Consolidated Gas Co. of New Jersey.

The tangible capital allocated to the gas department on this basis, still using round figures, was an average of \$1,263,000, and the capital allocated to the electrical department was an average of \$631,000. The net revenue from the operation of the gas department for 1917 was \$77,269; the net revenue from the operation of the electrical department was \$42,885; the sum of these net earnings for 1917 is \$120,154 for both departments of the company, a net return of 6.3 per cent. in both departments.

In its line of proof the company has assumed that the rate of return for 1916 was to be maintained in 1918. As that rate, however, is in excess of that indicated in the two preceding paragraphs, the excess revenue required will be derived from the operating results for 1917, adjusted so as to afford a 6.3 per cent. return on the tangible capital indicated above.

EXCESS OF 1918 COSTS OVER 1917.

GAS DEPARTMENT.

According to the petitioner's annual report, the company sold, during 1917, 246,618 thousand cubic feet of gas. The costs of labor and material, the costs of which testimony indicates have increased and will increase for 1918, are given below.

(1) *Generator Fuel*.—During 1917, the company used 5,333.48 tons of generator fuel, costing \$32,834.99, an average cost of \$6.16 per ton. In Exhibit P-3, sheet 2, the present 1918 cost for the same coal is \$6.96, an increase of 80 cents per ton, or \$4,266 increase over 1917 costs, which amounts to 1.73 cents per thousand cubic feet sold in 1917.

(2) *Boiler Fuel*.—During 1917, the company used 1,810.36 tons of bituminous coal and 22,904 gallons of tar, equivalent to 122 tons of coal, a total of 1,932 tons of coal, costing \$9,214.80, or \$4.77 per ton. According to Exhibit P-3, sheet 2, this coal will cost, for 1918, \$5.16 a ton, an increase of 39 cents a ton. The increased cost of 1,932 tons, then, would be \$753, or 0.31 cents per thousand cubic feet.

New Schedule of Rates—Consolidated Gas Co. of New Jersey.

(3) *Gas Oil*.—During 1917, the company used 1,044,676 gallons of gas oil, which cost \$71,283.63, or 6.82 cents a gallon. On Exhibit P-3, sheet 1, the company estimates that this oil will cost from 8.45 cents in January up to 13.29 cents in December, or an average of 10.95 cents. The Board cannot accede to this estimate, however, as it is within its knowledge that other companies have secured contracts for oil ranging from 7.8 cents to 8.75 cents delivered. These contracts are of very recent dates, and the company should have facilities for purchasing oil equal to those of the companies referred to. We will, therefore, assume that the company will pay, during 1918, 8.45 cents, the price current at the time the exhibit was prepared. This will indicate an increase of 1.63 cents per gallon, or about \$17,028 for oil; this amounts to 6.9 cents per thousand cubic feet.

(4) *Labor*.—On Exhibit P-3, sheet 1, the company estimates that labor in 1917 cost an average of 31.5 cents per hour for 226,371 hours, a total of \$71,307, against 218,000 hours at 34.4 cents for 1918, or \$74,992, an increase of \$3,685, or, per thousand cubic feet of gas sold, 1.49 cents.

These deficits will now be brought together in a

**RECAPITULATION OF INDICATED INCREASES REQUIRED
PER 1,000 CUBIC FEET SOLD.**

	Amount.	*Per 1,000 cu. ft. of Gas Sold.
1. Generator Fuel	\$4,266	1.73 cents
2. Boiler Fuel	753	0.31 "
3. Gas Oil	17,028	6.90 "
4. Labor	3,685	1.49 "
	<hr/>	<hr/>
1913 Increases Applied to 1917....	\$25,732	10.43 cents

ELECTRICAL DEPARTMENT.

According to its annual report for 1917, the company sold 1,432,162 kilowatt hours of current.

The anticipated increases in cost for 1918, related to 1917 costs and sales, are as follows:

*246,619 thousand cubic feet sold during 1917.

New Schedule of Rates—Consolidated Gas Co. of New Jersey.

(1) *Boiler Fuel*.—According to its annual report, the company used, during 1917, 5,664.96 tons of boiler fuel (coal and tar combined in terms of coal), costing \$27,485, an average of \$4.85 per ton, or 0.1919 cents per kilowatt hour. The indicated cost of bituminous coal for 1918 is \$5.16 per ton; on the basis of 5,665 tons, this would cost \$29,231, at \$5.16 a ton; this is an excess of about \$1,746 over 1917 costs, or 0.1219 cents per kilowatt hour.

(2) *Labor*.—The company estimates that the cost of labor will increase from 31.5 cents per hour to 34.4 cents per hour in 1918; this is 9.2 per cent. The pay-roll of the electrical department for 1917, as shown on page 30 of its annual report, was \$34,174.38. An increase of 9.2 per cent. is \$3,144, or 0.2195 cents per kilowatt hour sold.

These increases will now be brought together in a

RECAPITULATION OF INDICATED INCREASES REQUIRED
PER KILOWATT HOUR.

	Amount.	*Per kilowatt hour sold.
1. Boiler Fuel	\$1,740	0.1219 cents
2. Labor	3,144	0.2195 "
<hr/>		<hr/>
1918 Increases Applied to 1917,	\$4,890	0.3414 cents

RECAPITULATION OF INCREASES INDICATED.

Gas Department	\$25,732
Electrical Department	4,890
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A total of	\$30,622
Taking round figures for these increases, we have	
An increase of 10 cents on 246,618 M. cu. ft.	
of gas equals	\$24,662
An increase of four-tenths of a cent on 1,432,162	
Kw. Hr. of current equals	5,729
<hr/>	
A total of	30,391
<hr/>	
This latter total agrees within	\$231

*1,432,162 kilowatt hours sold during 1917.

Crossing of Grade of Beachwood Boulevard—Borough of Beachwood.

The Board, therefore, finds and concludes as follows:

1. That a war surcharge of 10 cents per thousand cubic feet may be added to the existing rate for gas.
2. That a war surcharge of four-tenths of a cent per kilowatt hour may be added to the existing rate schedule for electric current sold.
3. These rates may be effective from May 1st, 1918.
4. Acceptance by the company of the increases herein allowed will be taken as a stipulation that abrogation or modification of the war surcharge may be made as and if conditions as indicated by operating results warrant.
5. Beginning at the effective date of said schedule of rates, the company is to render reports monthly to the Board showing the Operating Revenues, Operating Deductions excluding General Amortization, Non-Operating Income, Income Deduction and balance available for Amortization, Dividends and Surplus for each succeeding calendar month with comparison with the figures for the corresponding month of 1917, and the Board will retain jurisdiction of the emergency or war surcharges as here approved, for the purpose of modifying or abrogating them as and if the conditions change.

Dated April 29th, 1918.

No. 549.

BOROUGH OF BEACHWOOD—CROSSING AT GRADE OF THE BEACHWOOD BOULEVARD AT THE INTERSECTION OF CENTRAL RAILROAD OF NEW JERSEY, AND PENNSYLVANIA RAILROAD.

1. The policy of the State is against grade crossings and in considering applications for approval of new ones the immediate future as well as present dangers must be provided against.
2. Permission is refused to construct a new crossing which would be dangerous and for which no great necessity appears.

Crossing at Grade of Beachwood Boulevard—Borough of Beachwood.

James A. Buller and J. Haviland Tompkins, for the Borough.

William A. Barkalow, for the Central Railroad Company of New Jersey.

Alan H. Strong, for the Pennsylvania Railroad Company.

L. Edward Herrmann, for the Board.

This matter was brought before the Board January 15th, 1916, by the petition of the Township Committee of Berkeley Township, which, among other things, set forth that Beachwood Boulevard and other streets in the neighborhood had been accepted by the Township Committee as public roads; that the part of said Beachwood Boulevard lying east of the rights of the way of the railroads is 50 feet in width and that the part lying to the west of the rights of way of said railroads is 40 feet in width; that the said boulevard does not extend across the right of way of either railroad hereinafter mentioned, and asks "for permission to have the said Beachwood Boulevard extended across the junction or intersection of the tracks of the Philadelphia and Long Branch Railroad, branch of the Pennsylvania Railroad, with the tracks of the Toms River and Waretown Branch of the New Jersey Southern Railroad," &c.

The petition further sets forth that the Township Committee vacated certain other township roads or parts of roads so that the accepted part of Beachwood Boulevard and other streets could be used in place of the Old Double Trouble Road and the Toms River and Cedar Creek Roads, which had been vacated.

On August 8th, 1916, the Township Committee filed a supplemental petition in which is stated the following:

"(1) Your petitioner has changed the location of the highway known as the Toms River and Cedar Creek Road, which said highway is more particularly shown on the annexed map marked Exhibit A. That in changing the location of said highway your petitioner has duly accepted in substitution therefor certain streets and avenues shown on said Exhibit A. * * * That said

Crossing at Grade of Beachwood Boulevard—Borough of Beachwood.

streets and avenues so accepted are now being used by vehicles and pedestrians.

“(2) That in vacating said portion of the Toms River and Cedar Creek Road your petitioner did not vacate that part of said road that crossed the tracks and right of way of the said Toms River and Waretown Branch of the New Jersey Southern Railroad and at the present time the public has the right to cross the tracks of said railroad at this crossing.

“(3) That your petitioner has changed the location of the highway known as the Old Double Trouble Road, which said highway is more particularly shown on the annexed map marked Exhibit A. That in changing the location of said highway your petitioner has duly accepted in substitution therefor certain streets and avenues shown on said Exhibit A. * * * That said streets and avenues so accepted are now being used by vehicles and pedestrians.

“(4) That in vacating said portion of the Old Double Trouble Road your petitioner did not vacate that part of said road that crosses the tracks and right of way of the Pennsylvania Railroad, and at the present time the public has the right to cross the tracks of said railroad at this crossing.

“Your petitioner prays this Honorable Board

“(a) That either permission be granted for the establishment of the proposed Beachwood Boulevard crossing, *or*

“(b) That if it be deemed inadvisable to establish a grade crossing at said Beachwood Boulevard, that permission be granted for the establishment of a grade crossing near the intersection of the tracks of said railroad, *or*

“(c) That if it be deemed inadvisable to establish a crossing near the intersection of said tracks, that permission be granted to move said Toms River and Cedar Creek Road crossing to a point south of its present location, so as to connect that portion of Longboat Avenue that lies to the east of the right of way of said New Jersey Southern Railroad with that portion of said Longboat Avenue that lies to the west of said right of way, and that permission be also granted to move said Old Double Trouble Road crossing to a point northwest of its present location, so as to connect that portion of Halliard Avenue that lies to the east of

Crossing at Grade of Beachwood Boulevard—Borough of Beachwood.

the right of way of the said Pennsylvania Railroad with that portion of Halliard Avenue that lies to the west of said right of way; or, in the event that it be deemed inadvisable to grant either of these requests, that this Board direct said New Jersey Southern Railroad to replace the crossing where said Toms River and Cedar Creek Road crossed its tracks, and that said crossing and said Old Double Trouble Road crossing be continued as in the past.

“(d) That in the event that this Honorable Board shall grant permission to establish said Beachwood Boulevard crossing, then your petitioner is willing to abandon and close the said Toms River and Cedar Creek Road crossing and the said Old Double Trouble Road crossing.”

Answers were filed by both the Pennsylvania Railroad Company and the Central Railroad Company, insisting, among other things, that the desired Beachwood Boulevard crossing, at grade, would be particularly dangerous and unnecessary, and further denied the jurisdiction of the Board to change the location of the existing crossings as suggested in the supplemental petition.

Hearings were held at Trenton on October 16th and October 30th, 1917. The petitioner's brief was filed February 23d, 1918.

The portion of the township where the streets referred to are located was, after the filing of the petition and amendment thereof, incorporated as the Borough of Beachwood, and the proceedings were continued in the name of the borough.

Neither the general nor alternative approval of this Board to the changes in any of the streets or crossings referred to, however desirable they may be from the community standpoint, can be properly considered in this proceeding, because of the indefiniteness of the application in that regard. The question for decision is, “Shall the Board grant permission to construct Beachwood Boulevard, at grade, across the tracks of the Central Railroad and the Pennsylvania Railroad at their point of intersection?”

From the testimony of witnesses and an inspection of the exhibits offered, it appears that the crossing asked for would be peculiarly dangerous by reason of being at the intersection of said two railroads.

Previous to the present application the Board recognized the dangerous condition existing at the junction of these two railroads

Crossing at Grade of Beachwood Boulevard—Borough of Beachwood.

and ordered certain protection installed and methods of operation observed by the railroads. These are being complied with. A highway crossing at the same point would add to the existing perils for persons and vehicles using the same.

During the summer months as many as 30 trains in a day have been run over this branch of the Pennsylvania Railroad, many of them at high speed. This railroad is the only direct line of communication between Camden and Philadelphia, and Sea Side Park and other summer resorts on Barnegat Bay, and on the Central Railroad, there are eight trains daily. In all probability the number of trains will increase in the future.

The policy of the State is against grade crossings and in considering applications for the granting of new ones, we must provide against the immediate future as well as present dangers.

The proposed crossing is not necessary. It originated with the owners of the Beachwood Tract before there was any development. In the plotting of Beachwood, the map shows too much consideration was given to making the greatest number of building lots rather than a comprehensive plan for the general development of the community. Even now there is no vehicular travel to be accommodated by the proposed crossing. Almost the entire settlement on the Beachwood Tract lies on the north, or Toms River side, of the Pennsylvania and Atlantic Railroad.

The Pennsylvania Railroad has not in these proceedings denied its liability to maintain the crossing at Double Trouble Road, and through one of its witnesses expressed a willingness to change it on certain conditions to Halliard Avenue. The Central Railroad, at the hearing, through its representative, expressed itself as willing to take up the matter of establishing a crossing in the vicinity of Longboat Avenue. We are of the opinion that crossings should be maintained near both these places and should either of the companies refuse to co-operate with the local authorities to that end, the Board will render its assistance in a proper proceeding, but would not do so in the present one.

For the reasons stated, permission to establish a street crossing, at grade, at the intersection of the Central Railroad and the Pennsylvania Railroad, is denied.

Dated April 30th, 1918.

North End Improvement Ass'n vs. Public Service Railway Co.

No. 550.

NORTH END IMPROVEMENT ASSOCIATION OF ELIZABETH

vs.

PUBLIC SERVICE RAILWAY COMPANY.

Upon a finding that a street railway does not furnish safe, adequate and proper service and is not maintaining its property and equipment in such condition as will enable it to do so, repairs and replacements of track and additions to service are ordered.

G. Bartram Woodruff, for the petitioner.

L. D. H. Gilmour, for the respondent.

The petition in this proceeding alleges that the respondent fails to furnish safe, adequate and proper service on the "Union Line" and the "Newark and Elizabeth Line" of its electric railway in certain territory in the City of Elizabeth, and that it fails to keep and maintain its property and equipment in such condition as to enable it to do so.

The respondent, by its answer, admits the operation of the lines, but denies all other material allegations in the petition.

Hearing was held on the complaint, and subsequently a further hearing was held for the purpose of noting the existing conditions as changed since the first hearing. The record in this case is voluminous and there is considerable conflicting testimony. A careful examination of all the testimony given at both hearings indicates, however, that the respondent is not furnishing safe, adequate and proper service on the lines in said territory, and also is not maintaining its property and equipment in condition to enable it to do so. This conclusion is reached by a perusal of the testimony adduced by petitioner's witnesses and the Board's inspector. This condition doubtless resulted from

North End Improvement Ass'n vs. Public Service Railway Co.

(1) Respondent's failure to furnish sufficient service, due to lack of cars and difficulty in securing necessary men for operation.

(2) Poor routing and irregularity of headway.

(3) Interference with schedules by vehicular traffic, especially during extreme winter weather.

(4) Either neglecting to properly keep and maintain its property and equipment, or inability to keep and maintain the same through lack of materials and labor.

It appears that the long route followed by the cars, particularly those of the "Union Line," invariably creates a condition of frequent irregularity of headway due to various delays often met on route, especially when the cars pass through congested districts as in the case in question. It doubtless follows that even under most favorable conditions a reasonable regular headway cannot be maintained through the City of Elizabeth by a line operating as far as, and under the conditions, of the "Union Line."

It appears that at the time of both hearings, and subsequent thereto, the company had made some effort to repair its tracks, and that from time to time the condition of the same has materially improved. It also appears that pending submission of the case to conference, the respondent, in order to improve its service, has made a certain offer and agreement in connection therewith, which include a re-routing of some of its lines and the maintenance of service in accordance therewith, a copy of which offer and agreement is hereto annexed and made a part hereof, and marked Schedule A.

Hence, by reason of the repairs made to respondent's tracks, and the re-routing of its lines, and the agreement in reference to service, some remedial changes have been made. Nevertheless, having in mind the entire situation as evidenced by the record, the Board finds and determines that:

The Public Service Railway Company does not furnish safe, adequate and proper service on the lines in the territory described in the petition filed in this cause, and also does not keep and maintain certain of its property and equipment hereinafter mentioned in condition to enable it to furnish safe, adequate and proper service; and that in order to render safe, adequate and

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proper service, and to keep and maintain its property and equipment in condition to enable it to do so, it should do the following:

1. Make certain repairs to its tracks on or before September 1st, 1918, as follows:

North Broad Street—Replace broken rail on southbound track about 125 feet north of King Street; replace worn-out rail on northbound track immediately north of North Avenue; re-surface and re-align track between Aberdeen Road and Newark Avenue.

Broad Street—Repair low joint at end of switch mate opposite Public Service Corporation Building; repair low joint on curve on southbound track immediately north of "Arch." Replace worn-out crossing in special work under Central Railroad of New Jersey bridge.

East Grand Street—Replace worn-out frog at cross-over near Broad Street; replace broken rail adjacent to switch mate at east end of cross-over near Broad Street; replace split rail about 80 feet from alley adjoining engine house near Broad Street; replace broken rail about 20 feet west of building line of Consumers' Cold Storage Company; repair joint about 55 feet west of Catherine Street; repair joint at a point adjacent to Jacques Street; replace broken rail in curve at Jacques Street; repair low joints and renew broken parts in special work at cross-over near car barn; renew worn-out crossing in special work at car barn.

Smith Street—Re-surface and re-align track from East Grand Street to East Jersey Street; renew broken rail in curve at Smith Street and East Jersey Street.

East Jersey Street—Renew three crossings at special work at Fifth Street; renew six crossings at special work at Third Street and replace broken rail at this point; repair joints opposite Nos. 551 and 616 East Jersey Street; renew three crossings in special work at First Street; repair frog at cross-over at Ferry Terminal; replace worn-out rail in curve at entrance to loop at Ferry Terminal.

2. Maintain a minimum temperature of 45 degrees F. above zero on all cars operated within the City of Elizabeth over the "Union" and "Newark-Elizabeth" lines.

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3. Maintain at all times all cars operated in the City of Elizabeth on the "Union" and "Newark-Elizabeth" lines in a safe, clean and proper condition.

4. Regularly maintain at all times the schedules of the "Union" and "Newark-Elizabeth" lines within the City of Elizabeth.

5. Operate in the City of Elizabeth, from North Broad Street and the City Line through North Broad Street to West Jersey Street, thence over West Jersey Street to West Jersey Street and the City Line, and return, a local service of not more than fifteen-minute headway from about 6:30 A. M. to about 6:50 P. M., every week-day; said service to be independent of the regular service now maintained over the "Union" line. Said local service shall be so scheduled as that, combined with the "Union" line service, a regular 7½-minute headway over the route of the "Union" line in the City of Elizabeth will result.

An order requiring the above will be entered.

Dated May 1st, 1918.

ORDER.

This case being at issue upon complaint and answer on file, and having been duly heard and submitted by the parties, and full investigation of the matters and things involved having been had, and the Board having, on May 1st, 1918, made and filed a report containing its findings of fact and conclusions thereon, which said report is hereby referred to and made a part hereof,

The Board of Public Utility Commissioners, after hearing, on notice,

HEREBY ORDERS the Public Service Railway Company to make repairs and replacements of its tracks in the City of Elizabeth, before the first day of September, 1918, as follows:

NORTH BROAD STREET—Replace broken rail on southbound track about 125 feet north of King Street; replace worn-out rail on northbound track immediately north of North Avenue; re-surface and re-align track between Aberdeen Road and Newark Avenue.

BROAD STREET—Repair low joint at end of switch mate opposite Public Service Corporation Building; repair low joint on

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curve on southbound track immediately north of "Arch." Replace worn-out crossing in special work under Central Railroad of New Jersey bridge.

EAST GRAND STREET—Replace worn-out frog at cross-over near Broad Street; replace broken rail adjacent to switch mate at east end of cross-over near Broad Street; replace split rail about 80 feet from alley adjoining engine house near Broad Street; replace broken rail about 20 feet west of building line of Consumers' Cold Storage Company; repair joint about 55 feet west of Catherine Street; repair joint at a point adjacent to Jacques Street; replace broken rail in curve at Jacques Street; repair low joints and renew broken parts in special work at cross-over near car barn; renew worn-out crossing in special work at car barn.

SMITH STREET—Resurface and re-align track from East Grand Street to East Jersey Street; renew broken rail in curve at Smith Street and East Jersey Street.

EAST JERSEY STREET—Renew three crossings at special work at Fifth Street; renew six crossings at special work at Third Street and replace broken rail at this point; repair joints opposite Nos. 551 and 616 East Jersey Street; renew three crossings in special work at First Street; repair frog at crossover at Ferry Terminal; replace worn-out rail in curve at entrance to loop at Ferry Terminal.

The Board of Public Utility Commissioners, after hearing upon notice, **FURTHER ORDERS** the Public Service Railway Company

To maintain a minimum temperature of 45 degrees Fahrenheit above zero on all cars operated within the City of Elizabeth over the "Union" and "Newark-Elizabeth" lines; to maintain at all times all cars operated in the City of Elizabeth on the "Union" and "Newark-Elizabeth" lines in a safe, clean and proper condition; to regularly maintain at all times the schedules of the "Union" and "Newark-Elizabeth" lines within the City of Elizabeth; to operate in the City of Elizabeth from North Broad Street and the City Line through North Broad Street to West Jersey Street, thence over West Jersey Street to West Jersey Street and the City Line, and return, a local service of not more than 15-minute headway from about 6:30 A. M. to about 6:50 P. M., every weekday; said service to be independent of the regular ser-

Lease of Railroad, &c.—Delaware River Railroad and Bridge Co.

vice now maintained over the "Union" Line. Said local service shall be so scheduled as that, combined with the "Union" Line service, a regular 7½-minute headway over the route of the "Union" Line in the City of Elizabeth, will result.

This order shall become effective May 29th, 1918.

Dated May 7th, 1918.

No. 551.

IN THE MATTER OF THE APPLICATION OF THE DELAWARE RIVER
RAILROAD AND BRIDGE COMPANY FOR APPROVAL OF LEASE
OF ITS RAILROAD, BRIDGE, PROPERTY AND FRANCHISES TO
THE PENNSYLVANIA RAILROAD COMPANY.

Approval is given to a lease by a railroad and bridge company of its property and franchises, which lease provides for fixed rentals to be paid, such rentals appearing to be fair and reasonable; but the Board will not feel bound to permit the rentals in any future inquiry unless they are then deemed to be just and reasonable.

Charles E. Gummere, for the company.

Application is made to the Board by the Delaware River Railroad and Bridge Company, a corporation of the States of Pennsylvania and New Jersey, for the approval of a lease dated March 13th, 1918, of its railroad, bridge, property and franchises to the Pennsylvania Railroad Company, a corporation of the State of Pennsylvania, for a period of nine hundred and ninety-nine years, from April 1st, 1918.

The Delaware River Railroad and Bridge Company was formed under the laws of the States of New Jersey and Pennsylvania by an agreement of consolidation and merger dated January 17th, 1896. The companies merged were the Pennsylvania and New Jersey Railroad Company, a corporation of the State of Pennsylvania, and the Pennsylvania and New Jersey Railroad Company, a corporation of the State of New Jersey.

Lease of Railroad, &c.—Delaware River Railroad and Bridge Co.

The consolidated company owns a line of railroad extending from a junction with the railroad of a connecting railway company near Frankford Avenue, Philadelphia, State of Pennsylvania, to a junction with the railroad of the West Jersey and Seashore Railroad Company near Haddonfield, State of New Jersey, including a bridge over the Delaware River, said main line of railroad and bridge, with certain branches thereof, aggregating 9.52 miles.

The Pennsylvania Railroad Company owns all the capital stock of the Delaware River and Bridge Company. The former company, as agent of the latter, operates said railroad bridge and property, which relation terminates on the approval of the lease here submitted.

Hearing, upon notice, on the application was held on Tuesday, April 9th, 1918.

The application is made under Chapter 195, Laws 1911, Art. III, Sec. 18, Par. (h), which provides:

18. No public utility as herein defined shall: (h) "Without the approval of the Board, sell, lease, mortgage, or otherwise dispose of or encumber its property, franchises, privileges or rights, or any part thereof; nor merge or consolidate its property, franchises, privileges or rights, or any part thereof, with that of any other public utility as herein defined. Every sale, lease, mortgage, disposition, encumbrance, merger or consolidation made in violation of any of the provisions hereof shall be void and of no effect. Nothing herein contained shall be construed in anywise to prevent the sale, lease or other disposition by any public utility as herein defined of any of its property in the ordinary course of its business."

In examining the lease submitted for approval the Board observes and points out that it contains practically the same terms and provisions which were closely scrutinized and criticised by this Board in the lease in the case of application of West Jersey and Seashore Railroad Company for approval of lease to Pennsylvania Railroad Company (P. U. R., Vol. II, p. 46), and the carrying out of which, in accordance with the terms thereof, this Board found and determined, and which determination was af-

Lease of Railroad, &c.—Delaware River Railroad and Bridge Co.

firmed by the Supreme Court of this State, 85 *N. J. L.* (56 *Vroom*) 468, would possibly impair the control over the subject-matter thereof, now vested by law in this Board.

Generally speaking, the terms and provisions are those relating (1) to a guaranteed rental of 6% on the aggregate par value of the lessor's outstanding capital stock in addition to certain other fixed charges; (2) the issue of stock and bonds by the lessor to the lessee, under certain conditions of indebtedness of the lessor to the lessee, and (3) to the sale of the leased property by the lessee upon certain contingencies therein expressed.

As to the issue of stock and bonds and also the sale of the leased property as therein provided for, however, the lease itself expressly provides that the carrying out or the doing of either, according to the terms thereof, "Shall be in accordance with law and consistently with its legal powers," and "with the approval of any Board or public authority which shall by law be required to be obtained."

But the provision with respect to the payment of a guaranteed rental of 6% on the capital stock of the lessor company is not clothed with nor limited by any such requirement.

In the West Jersey and Seashore Railroad Company lease case cited above, the Board said:

"In at least one important rate case decided by this Board, the Paterson-Passaic Gas case, it was strenuously urged by the respondent that a lease lawtully consummated is conclusive in determining a part of the base upon which just and reasonable rates could be fixed by this Board's order. We cannot be certain that a similar plea might not be set up in future rate cases. Nor is it a conclusive rejoinder to say that the rates of the lessor company in the pending proceedings are not at present subject to attack. The very terms of the lease require us to take a long look ahead. We cannot predict that at no time in future will the rates upon the West Jersey and Seashore be unassailed. In such a contingency we must make as certain as we can that an attempt to fix and determine reasonable rates shall not be obstructed by the plea that a rental guaranteed in a lease formally approved by this Board is not open to question.

Schedule of Rates—Public Service Electric Co. and P. S. Gas Co.

“A lessee commonly expects and is ordinarily entitled to expect that earnings in excess of a guaranteed rental shall be forthcoming from the proper management of a leased property. If a guaranteed rental over and above all present or future taxes is to be paid in perpetuity, the return from the leased property due to management would have to be superadded to the rental aforesaid. Thus a claim for a return could be made to cover rental and management.”

There is, though, this difference between the West Jersey lease case and the lease submitted. In the West Jersey case the property leased was vast and large and the Board did not then have before it sufficient proof of its valuation to determine whether the rental fixed was fair and reasonable, and which this Board could with any degree of safety so regard in an application to fix rates in the future. In this case the property leased is not so large and the Board has substantial knowledge and proof as to its value, from which it appears that the rental fixed seems to be fair and reasonable. The lease is, therefore, hereby approved.

Nevertheless, the Board, in giving its approval, points out that it will not feel bound to permit the rental reserves, in any future inquiry, unless such rental then is deemed to be just and reasonable.

Dated May 1st, 1918.

No. 552.

**IN THE MATTER OF SCHEDULE OF RATES OF PUBLIC SERVICE
ELECTRIC COMPANY AND PUBLIC SERVICE GAS COMPANY.**

1. When tariffs carrying increases were not suspended and the Board later found the same to be in part just and reasonable it was not necessary for twenty days to pass following the Board's finding before the rates judged just and reasonable could become effective.

Schedule of Rates—Public Service Electric Co. and P. S. Gas Co.

2. Where increased rates were approved on February 27th and it was understood at hearings held prior to this date that the rates were proposed to be effective to cover meter readings made in the latter part of February and billed on or about March 1st and no objection was made, a re-hearing is denied on complaint that the bills were sent out, at the approved rate, for consumption prior to February 27th.

Jerome T. Congleton, for City of Newark.

A. F. Egner, for Editon Storage Battery Company.

L. D. H. Gilmour and *Frank Bergen*, for Public Service Electric Company and Public Service Gas Company.

On February 27th, 1918, the Board filed separate reports in the proceedings upon the petitions of the Public Service Gas Company and Public Service Electric Company, asking for temporary increases in rates.

At the hearings on the petitions, which were attended by counsel for many municipalities and private interests, it was distinctly stated by the companies that the rates were proposed to be effective to cover meter readings made in the latter part of February and billed on or about March 1st, in accordance with the company's practice, and this course appeared to meet the approbation of all parties present. The Board, on February 27th, concluded to permit a part of the increases proposed, and concluded to withhold an order of suspension, if the tariffs filed were amended to conform to the views expressed. Such amendments were made. No orders of any kind, either suspending or fixing rates were entered. It appears, therefore, that billings made subsequent to the filing of the Board's reports were under such amended tariffs so filed by the companies.

On March 25th Mr. Congleton, on behalf of the City of Newark, filed a memorandum calling attention to the charges imposed by the companies, and alleging that bills at the higher rate were sent out for consumption prior to February 27th, the date of the Board's report, and requesting a re-hearing of the cases.

Argument on the application for re-hearing was held on April 2d and the memoranda of counsel were submitted on April 17th, when the matter was taken into conference.

Schedule of Rates—Public Service Electric Co. and P. S. Gas Co.

The application is based upon the ground that the Board made an order which was to become effective prior to the date of such order, when the statute requires orders of the Board, except in certain specified cases, to be made effective not less than twenty days after date of the order. The petitioner asks that the Board make orders fixing an effective date, in the proceedings concluded by the filing of the Board's reports on February 27th, which shall result in ordering the emergency rates into effect at least twenty days later than the date of the order.

It seems to the Board that the present application must be denied. No orders have been entered in the proceedings mentioned. The emergency rates did not become effective as the result of an order of the Board. The companies filed tariffs carrying certain increases, which, if not suspended by the Board, might become operative at once.

The Board then took proofs to determine whether such proposed increases should be suspended, pending inquiry into their reasonableness, or whether all or some part were *prima facie* warranted.

The Board concluded that part of the increases was justified, and the companies amended their tariffs to conform to the views expressed in the Board's reports.

In the case of the Electric Company, the Board's report says:

"The Board is of the opinion that the measure of relief to be afforded should be applied to February sales, and the emergency is immediate."

In the case of the Gas Company, the Board said:

"The foregoing to go into effect with the February bills."

By this language the Board intended to convey that the emergency required prompt relief and that the increases should be applicable to the consumption indicated by the meter readings taken in the latter part of February. It is a matter of common knowledge that meter readings are completed prior to the last day of the current month, in order to admit of billing on or about the first day of the succeeding month.

There does not now appear any reason for entering any orders. None was needed to make the rates effective. If the Board should

Schedule of Rates—Public Service Electric Co. and P. S. Gas Co.

deem it expedient to enter orders making the emergency rates effective at a future date, it has no power to award reparation, even if it should conclude that any rates imposed were illegal.

The situation seems to have been thoroughly understood by all parties at the hearing. At the conclusion of the discussion at the last session of the hearings to determine whether suspension should be ordered, the following occurred:

Mr. Wakelee, for the companies, said: "I was going to say in conclusion (I had forgotten) the rate as filed, the company would like to apply to the February bills. If that is done a speedy decision would have to be rendered."

"Commissioner Donges—As far as it has been possible, the Board has gone ahead and commenced, as all of you know, an analysis; but that analysis, of course, could not be completed until after the termination of the testimony. The Board will proceed just as speedily as possibly to close the matter, and we hope we may be able to do it as speedily as physically possible; that would be the only reason for delay. It was assumed the rate would not become effective until the Board has had an opportunity to pass on it. We hope it will not be necessary to defer the effective date of any change.

Mr. Congleton—The amendment that has now been filed asking either for a twenty-five-cent service charge or that the rate be fixed at one dollar, was there any limit of time, or what does that seek in that particular?

Commissioner Donges—That would be a rate established indefinitely.

Mr. Congleton—I think it ought to be of some temporary character due to these present conditions, because this case has not been gone into as an ordinary rate case is gone into.

Commissioner Donges—I assume, Mr. Congleton, the amendment is filed to change the prayer of the petition, and would be subject to the statement made by Mr. McCarter in his testimony, namely, that it is an emergency request.

Mr. Congleton—That is perfectly agreeable, if that is the understanding.

Schedule of Rates—Public Service Electric Co. and P. S. Gas Co.

Commissioner Donges—I think that has been stated so often there should be no misunderstanding. It is—

Mr. Congleton—I think the Board's record states that.

Mr. McCarter—There is no misunderstanding.

Mr. Barbour—That is the same with the Electric Company?

Commissioner Donges—I understand it applies to both companies.

Mr. Barbour—And the order as made will so provide?

Commissioner Donges—There will probably be no order. So there may be no misunderstanding, the probability is that, following the practice of the Board, whatever increase is permitted, if any, will be permitted to be filed without specific approval, but we will permit the tariff to become effective, which results in the company getting the revenue, but without specific approval of order to have a specific rate.

Mr. McCarter—That is all right.

Commissioner Donges—The present proceeding is to determine whether the Board should suspend the operation of the proposed tariff. We either permit this or some other tariff to become effective, but we don't order the proposed rate."

There being no order of the Board with which to deal, as prayed for in the pending application, the application for a re-hearing is denied.

It may not be amiss to point out that the granting of the petition would not result in any substantial relief to petitioner. The rates are purely temporary and for an emergency. The companies were found to require certain revenues during the calendar year 1918. If the increases were to be applied to the later months of the year only, it appears certain that higher rates would be necessary to afford the needed revenues to cover fixed charges for the calendar year, than if they are applied for a longer period of time. In addition to this fact, the Board is requiring monthly detailed statements to be filed, so that adjustments of rates may be made as speedily as conditions warrant. For these reasons, it appears that no injury results from the application of the increases to the first readings taken after the filing of the tariffs.

Increase in Rates—Bridgeton Gas Light Company.

The same reasoning applies to the suggestion that the companies' estimates of taxes paid includes assessments which are now the subject of attack in the courts.

The Board will keep check upon these matters and will be guided in the matter of reductions of rates as actual conditions warrant. The companies will not be permitted to receive more than is shown from inspection of the detailed monthly reports to be required to meet the needs as found by the Board and indicated in its reports.

Dated May 1st, 1918.

No. 553.**IN THE MATTER OF THE APPLICATION OF BRIDGETON GAS LIGHT
COMPANY FOR APPROVAL OF INCREASE IN RATES.**

Conditions of increasing cost must be recognized and if public utility services are to be continued on an adequate basis it is necessary that they be paid for on such basis. A war surcharge of fifteen cents per thousand cubic feet for gas is permitted.

W. H. Bacon, for the petitioner.

Edward F. Merrey and *Francis A. Stanger, Jr.*, for the objectors.

Under date of December 17th, 1917, Bridgeton Gas Light Company filed a proposed increase in the rate charged for gas, the increase being from \$1 to \$1.25 per thousand cubic feet.

This matter was heard by the Board at Camden, at which time the matter was fully heard and exhibits submitted.

The history of the Bridgeton Gas Light Company is completely set forth in the memorandum issued by the Board in 1912 in connection with the proposed issue of stock with which to pay a dividend, and it is not necessary now to discuss the development of the company in this report.

Increase in Rates—Bridgeton Gas Light Company.

The report submitted in 1912 showed that the Gas Company had made a net earning on the value of its property, as indicated therein, averaging, for the entire fifty-five years of its then existence, 8.9%. About one-half of this return had been invested in extensions to the system, but the company had paid dividends, which, averaged on a basis of actual depreciated value of physical property, amounted to about 5% on such value. The dividends paid in the following year, 1913, amounted to 8%. The net corporate income, however, for the following years was as follows:

Based on Net Corporate Income.

1913	.....	10.37%	of \$155,200	stock.
1914	.....	10.54%	" "	"
1915	.....	11.33%	" "	"
1916	.....	10.67%	" "	"
1917	.....	8.09%	" "	"

Based on Gross Corporate Income.

9.85%	of	.....	*\$175,086	tangible capital.
8.59%	"	.....	200,771	" "
9.52%	"	.....	*211,046	" "
8.56%	"	.....	223,208	" "
6.25%	"	.....	240,103	" "

The average for the five years is 9.8% of the \$155,200 of stock issued. It should be understood that a portion of these earnings was not paid out in dividends, but at the end of 1917 showed a free surplus of \$23,319, which was invested in needed extensions. The amount so invested, however, may be capitalized and the treasury reimbursed by issues of securities when the prescribed procedure is followed.

The above percentages would be increased about 1.5% as to stock and 1% as to tangible capital, respectively, if the appropriations for depreciation reserve had been adjusted as herein-after indicated.

For the year 1917 the cost per thousand feet of gas was nearly 16 cents above the average cost of 1914, 1915 and 1916, and the testimony indicates that the cost of manufacture for the last few months was approximately 14 cents greater than the average for

*Average for year.

 Increase in Rates—Bridgeton Gas Light Company.

1917. The testimony was generally to the effect that the cost of gas for December, 1917, was approximately 30 cents per thousand greater than the average for 1914, 1915 and 1916.

Testimony was submitted to show that the company is well managed and economically operated, that its salary account is moderate and that the sale of gas per meter, and the number of meters per unit of population are both greater than in the case of many other gas companies. From this testimony and from analysis of the statistics of gas companies compiled by the Board, it is indicated that the company is fulfilling its franchise obligations by furnishing service throughout its entire territory, adequate in character, at a reasonable cost and price for the gas, and that its management is capable and efficient.

The testimony shows that the company's plant is now fully loaded and that before much, if any, additional business can be taken on, more capital must be invested in extensions and additions which are necessary to keep up the standard of efficiency demanded by the public and required by the Board. The company, in its brief, argues that conditions justify a rate possibly as high as \$1.50 per thousand, but submitted that the proofs amply justify permitting the company to raise its rates to \$1.25 per thousand without discount or rebate for cash or otherwise.

The objectors contend that the rate now charged of \$1 per thousand has been unreasonable and excessive, and, as proof thereof, point to the issuance of stock made in 1912 and to the dividends paid in each year since that time. The dividends actually declared were as follows:

1912 to 1916	8 per cent.
1917	6½ per cent.

In addition to this the company has, as stated above, accumulated a surplus amounting to \$23,984 as of December 31st, 1916, or \$23,319 as of December 31st, 1917.

The objectors also contend that the allowance for accrued depreciation is excessive and unnecessary and that this allowance results in an apparent reduction of the net income. The objectors contend that the allowance for depreciation amounts to

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10.32 cents per thousand cubic feet of gas sold, and further state that the Public Service Gas Company, for the same year, only charged about 2 cents per thousand feet of sales to this item.

Analysis of the figures submitted in this case and comparison with the statistics of other gas companies show that the company's allowance for depreciation during the last four or five years had been ample. It has varied from \$4,869 in 1914 to \$7,853 in 1916, and has averaged 3.25% of Fixed Capital from 1914 to 1917, or to 9.4 cents per thousand cubic feet. During the period from December 31st, 1912, up to December 31st, 1917, the company increased its reserves from \$7,361 to \$25,184, a total increase of \$17,823 or an average of \$3,564 per year after providing for replacements made during that period.

A calculation, on the straight-line basis, of the amount required to be appropriated by this company to provide for the depreciation accruing from age, wear and tear, not reparable by annual maintenance, on the basis of life currently used by the Board's engineer, indicates that approximately \$4,000 would have sufficed for the purpose in 1912; this is about 2% of the value new of the tangible fixed capital, depreciable and non-depreciable at that time. The corresponding book accounts, however, had been depreciated to such an extent that \$4,000 would be more nearly 2.6% of such depreciated value. Since 1912, however, the new property added, less the old property withdrawn, has increased the annual amount required, on the same basis, to about \$5,300; this indicates that a percentage of from 2% to 2.25% of tangible Fixed Capital, in part depreciated, should, on the average, provide for this item of expense. If, however, the appropriation is to provide for annual maintenance and repairs, the latter should be added to the amount of percentage above indicated; but realized depreciation or replacements should be charged to the reserve so created. The method of calculating the depreciation appropriation in cents per thousand feet sold should be used with caution and knowledge as, even with the same company, where large extensions have not been necessary for several years, the requirement for this item, though increasing in amount, frequently decreases as much as 25% in cents per thousand cubic feet of gas sold. It is evident, from the foregoing, that the action

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of the company has been very conservative since 1911. Prior to that time, its history indicates that the net operating revenues have been ample to have paid an adequate return on capital invested and also to have provided for all accruing depreciation. If the balance sheet does not show a reserve adequate to meet all maturing replacements, the fact is, then, that the entries have not been made to create the reserve. If extensions have been made out of the reserve which has been created, a perfectly proper proceeding, this fact does not indicate that rates should be raised to provide capital for future extensions, but that securities should now be sold to bring in the money heretofore expended out of the reserve so that the fund may be reimbursed. Having over-appropriated for depreciation during the last five years, at least, the company will suffer no harm if, during the present emergency, it be less conservative, and cut its annual appropriation for this purpose to \$4,000 to \$5,000 per annum to cover irreparable depreciation (1.5% to 2.0% of the average Fixed Capital for the year). The amount of \$4,500 will be taken for this report; this is \$2,393 less than appropriated in 1917, or a decrease of 2.7 cents per thousand cubic feet of gas sold.

The Bridgeton Gas Light Company does not contend that the results from the business during 1917 make it necessary to increase the rates, but does contend that the increasing cost during 1917, and as indicated in the latter months of the year, shows that the conditions during the coming months will be such as to make it absolutely necessary to increase the rate.

The company's Exhibit P-1 is a comparative table of operating expenses and revenues for the years 1914 to 1917 inclusive. From this table it may be seen that the increase in operating deductions for 1917 is 14.3 cents or 11.6 cents with modified depreciation appropriation (General Amortization). To Exhibit P-1 is appended a summary statement purporting to show that the total cost as of January 10th, 1918, is an increased rate of 30 cents per thousand feet.

While the Board carefully scrutinizes increases of any kind, conditions of increasing cost, however, must be recognized, and if public utility services are to be continued on adequate basis, it is necessary that they be paid for on such basis.

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The elements to be considered in connection with the rate to be allowed are (1) capital, used and useful, (2) the rate of return thereon, (3) and the appropriation to depreciation reserve to maintain same unimpaired, (4) fair operating expenses, and (5) taxes imposed upon the utility. From the company's annual reports and exhibits in this case we find the following:

(1) Capital, used and useful. For the purposes of this report we take the average fixed capital for 1917 as \$250,763, to which we add 5% for working capital, or \$12,538, making a total of \$263,301; from this we deduct the average reserve for depreciation of \$23,198, leaving \$240,103, the net amount of capital, used and useful. This includes some construction in progress, but the amount is not great.

In Exhibit P-10 the company's expert, Mr. Forstall, shows the total capital allowed for rate-making purposes in four cases pertaining to rates, and the amount of capital per thousand cubic feet of gas sold by each company. He then derives a factor by which he multiplies the gas sales of the Bridgeton Gas Light Company in order to determine the fair value to be taken by the Board in the instant case. This is not a very helpful method, nor does it lead to any definite conclusion, as may be seen by reference to the Board's report, dated January 18th, 1918, in the matter of the application of the New Jersey Gas Company for increased rates. Table III in this report shows the following capital, tangible and intangible, per thousand cubic feet of gas sold, viz.:

TABLE III, IN PART.

1913	Capital allowed per thousand cubic feet of gas sold...	\$8.37
1914	" " " " " " " " " " ...	7.84
1915	" " " " " " " " " " ...	7.60
1916	" " " " " " " " " " ...	7.05
1917	" " " " " " " " " " ...	6.80

If Mr. Forstall's method is to be of assistance, which one of the five values is to be taken by the Board? Each of these values is derived from actual appraisal; the figures indicate that the tendency of capital requirements is to decrease with the growth of sales, subject to certain limitations. This clearly shows that his basis for the determination of the amount of capital to be taken

Increase in Rates—Bridgeton Gas Light Company.

for the purpose of making rates has small evidential value and is not helpful to the Board.

(2) Rate of return. This usually varies from year to year, sometimes in excess of an assumed average in good years and below the average in bad times. It has been shown hereinbefore that the company has enjoyed more than a fair return during the years preceding 1917 so that it should be prepared to take a correspondingly lower return during the lean years, thus establishing the fair average return. It has been shown that \$240,103 fairly represents the capital base for 1917, on which the net revenue shown by the company was \$12,554; adding to this the amount of \$2,393, over-appropriated to provide for accruing depreciation, makes a modified net revenue of \$14,947, which is 6.22% of \$240,103. The corresponding net corporate income of \$11,815 for 1917 equals 7.61% on \$155,200 stock. In view of what precedes, the Board considers this a fair return, and the results for 1918 will be predicated on this basis.

(3) Depreciation appropriation. This has been considered hereinbefore and an appropriation of \$4,500 is considered ample to cover this item unless the amount and character of the property shall very materially change in the near future.

(4) For a normal year the operating expenses for 1917 appear to be proper and show efficient management, although increasing somewhat toward the latter end of the year through causes beyond the control of the operating officials.

(5) Taxes for 1917 are those imposed upon the utility by the proper taxing authorities. The franchise tax rate for 1918 will be 3%, based upon 1917 gross revenue from the sales of gas. The tax for 1919 will be 4%, based upon the gross revenue from the sales of gas in 1918. There will be a further increase in 1920. While, strictly speaking, the tax for the year 1918 will be levied on 1917 gross revenue from the sales of gas, in view of the fact that a considerable portion of the year is past without any relief being afforded the company, and that the 1919 tax will be effective on sales only eight months away, it is not considered unfair to include an addition of 1% over the 2% rate of franchise tax heretofore existing.

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It is impossible at this time to predict just what the future will bring forth in the way of increased cost. It is possible, and more than likely, that the increased cost to the Bridgeton Gas Light Company will not, as the company fears, amount to 30 cents per thousand cubic feet, especially in view of the fact that it assumes that 1917 involved a loss of 14 or 15 cents per thousand cubic feet, which is not substantiated by the Board's investigation. The Board is not inclined to approve any increase beyond that which is shown to be absolutely necessary to provide for continuous and adequate service.

The Board believes that the following increases are justified from the record:

Labor	\$0.075
Coal	0.039
Purification Materials	*0.010
New Franchise Tax	0.012
<hr/>	
Total per M. cubic feet	\$0.136

This, undoubtedly, must contain three times the usual amount of sulphur.

The Board, therefore, finds and concludes as follows:

(1) That a war surcharge of 15 cents per thousand cubic feet may be added to the existing rates, subject to a discount of two and one-half cents per thousand cubic feet on bills for gas sold through regular meters if said bills are paid within ten days after presentation.

(2) These rates may be effective for sales made from May 1st, 1918.

(3) Acceptance by the company of the increases herein allowed will be taken as a stipulation that abrogation or modification of the war surcharge may be made as and if conditions as indicated by operating results warrant.

(4) Beginning at the effective date of said schedule of rates, the company is to render reports monthly to the Board showing the Operating Revenues, Operating Deductions excluding General Amortization, Non-Operating Income, Income Deductions and

*Based on the quality of coal testified to as being available.

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balance available for Amortization, Dividends and Surplus and amount appropriated for General Amortization for each succeeding calendar month, with comparison with the figures for the corresponding month of 1917; and the Board will retain jurisdiction of the emergency or war surcharges as here approved, for the purpose of modifying or abrogating them as and if the conditions change.

Dated May 6th, 1918.

No. 554.

J. D. SEALS

vs.

NEW JERSEY POWER AND LIGHT COMPANY.

1. Extensions involving considerable sums of money should not be made during war times and at war prices without careful consideration and proper regard for the financial ability of the utility; but a utility cannot be permitted to refuse to make any extension save on its own terms.

2. An extension involving an expenditure of a small sum on which a return of between 6 and 8 per cent. will be received is held to be reasonable.

Petitioner appeared in person.

William Buchsbaum, for the respondent.

The facts developed at the hearing held in this matter, in Newark, April 15th, 1918, are as follows:

Mr. Seals owns a house on Halsey Street, Kenvil, N. J., about 130 feet from the company's lines. In the spring of 1917 he called upon the general manager of the company and asked if the company would make an extension of its line and supply him with electric service should he wire his dwelling house, and was prom-

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ised the service. During the following summer his house was completely wired for electric lighting and about September 1st he requested service. He was then put off by various excuses. Early in the present year 1918, he signed a contract with the company for the desired service, but the company still delayed making the extension and now refuses so to do, unless the cost of the extension be paid by the complainant, with a stipulation that the amount paid would be refunded in installments at the rate of 50% of the annual revenue derived from the extension.

A liberal estimate of the cost of the extension is \$90.

The estimated annual cost to the company, including interest at 6% ; depreciation at 5% on the investment and the other elements going into the cost, including proportional plant investment, is \$24.32. The estimated annual net return to the company is \$27. These facts are not disputed nor is it denied that the company repeatedly promised Mr. Seals the extension now demanded. Mr. Yensel, the general manager of the company, testified, "From an investment standpoint the company thinks it is a good extension, but we haven't the money to go ahead."

The respondent company has recently taken the position that it will make no extension, large or small, unless the extension is financed by the person or persons desiring it. Such a position is absolutely indefensible. It is generally recognized that extensions involving considerable sums of money ought not to be made during war times and at war prices without careful consideration and proper regard for the financial ability of the utility, but a utility cannot be permitted to refuse to make any extension save on its own terms. In this proceeding the testimony shows that the company has not hesitated to spend large sums of money for the purpose of generating electric current for the Wharton Steel Company, with whom it has very profitable contracts. It would seem that when the contract for service is unusually attractive it has no difficulty in financing it, but when an extension involving the small sum of \$90 is required, affording a return of between 6 and 8% net, it is not interested.

We find and determine (1) that the desired extension to the premises of J. D. Seals is reasonable and practicable and will furnish sufficient business to justify the construction and mainte-

Atlantic City and Shore R. R. Co.—Approval Increased Rates.

nance of the same; (2) that the financial condition of the New Jersey Power and Light Company reasonably warrants the original expenditure required in making and operating such extension.

An order will be accordingly made.

Dated May 7th, 1918.

ORDER.

This case having been duly heard and submitted by the parties, and full investigation of the matters and things involved having been had, and the Board having on May 7th, 1918, filed a report containing its findings of fact and conclusions thereon, which said report is hereby referred to and made a part hereof,

The Board of Public Utility Commissioners HEREBY ORDERS AND DIRECTS the New Jersey Power and Light Company to extend its facilities to the house of J. D. Seals, located on Halsey Street, Kenvil, New Jersey, and to supply service to the said J. D. Seals, upon application being made by him for service, on the same terms and conditions as other parties connected to the distribution system of the said New Jersey Power and Light Company are afforded service.

This order shall become effective June 4th, 1918.

Dated May 13th, 1918.

No. 555.

IN THE MATTER OF THE APPLICATION OF ATLANTIC CITY AND
SHORE RAILROAD COMPANY FOR APPROVAL OF INCREASED
RATES.

Clarence L. Cole, Receiver, for petitioner.

(By the Board—Commissioner Wright dissenting.)

Atlantic City and Shore R. R. Co.—Approval Increased Rates.

Application is made for an increase of fares by the petitioner. Hearing was held April 30th, 1918, at Trenton. No person appeared in opposition.

From the testimony presented it appears that the company has not been earning operating expenses, interest, taxes and rentals. The road is in the hands of a receiver of the Court of Chancery. It is not likely that Court will permit the operation at a deficit indefinitely.

For two years past no interest has been paid on bonds. The following shows the deficits on the Ocean City Division, the one here affected, for operating expenses, interest, taxes and rentals.

1914.	1915.	1916.	1917.
\$2,515.55	\$16,695.43	\$17,484.55	\$22,050.68

It, therefore, appears that if operation is to be continued additional revenue must be afforded. It does not seem unreasonable to expect the Ocean City Division to yield such revenue.

It is proposed to add two cents to the rate between Pleasantville and Atlantic City and one cent to the fare in each of the other two zones. This seems to be a reasonable means of securing the needed increased revenues. Strip tickets at 6 for 60 cents are to be sold. Each ticket is good for a single fare. This results in a five-cent rate to the purchasers thereof.

It is estimated that the new rates will yield increased revenue to the amount of \$20,058.13.

Under all the circumstances, we will permit the increases. They may, therefore, be filed and become effective at once.

Acceptance by the company of the increases herein allowed will be taken as a stipulation that abrogation or modification of the war surcharge may be made as and if conditions as indicated by operating results warrant.

Beginning at the effective date of said schedule of rates, the company is to render reports monthly to the Board showing the Operating Revenues, Operating Deductions excluding General Amortization, Non-Operating Income, Income Deduction and balance available for Amortization, Dividends and Surplus for each succeeding calendar month with comparison with the figures for the corresponding month of 1917, and the Board will retain juris-

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diction of the emergency or war surcharges as here approved, for the purpose of modifying or abrogating them as and if the conditions change.

Some letters were submitted pointing out that the operation of a competing line was one of the causes of unprofitable operation. There may be much reason in this contention. We do not feel, however, that the present proceeding is the proper one in which to determine that question. The relief sought is demanded to keep the road in operation. In another proceeding, at the proper time, we would consider these questions.

Dated May 14th, 1918.

No. 556.

IN THE MATTER OF APPLICATION OF NEW JERSEY AND PENNSYLVANIA TRACTION COMPANY FOR THE WITHDRAWAL FROM SALE OF COMMUTATION TICKETS AND FOR INCREASE OF FARE BETWEEN TRENTON AND PRINCETON.

An interurban street railway earning less than three per cent. upon the value of its property is allowed to withdraw commutation rates and to increase its fare in each fare zone from five to six cents.

Frank S. Katzenbach, Jr., for the petitioner.

Charles E. Bird and *George L. Record*, for the City of Trenton.

Harvey T. Satterthwaite, for the Township of Lawrence.

Bayard Stockton, for Princeton.

Richard Stockton, 3d, for Princeton Township.

The present application is twofold: First, to increase the rate of fare in each of the four fare zones between Trenton and Prince-

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ton from 5 cents to 6 cents; second, to withdraw the sale of the commutation tickets sold at the price of 12 tickets for \$1 as directed by the order of this Board in its report of October 10th, 1916. The proposed increase is opposed by municipalities through which the company operates and protests have been filed by a number of passengers of the road, to all of which due consideration has been given.

The New Jersey and Pennsylvania Traction Company operates a high-speed line of electric railway between Trenton and Princeton. The railroad is 12.56 miles in length, a portion of same over private right of way.

The road is kept in good condition and the cars operated over it are of a modern and approved pattern. The schedule is maintained and the quality of the service rendered is admittedly good.

At present between Trenton and Princeton there are four fare zones, in each of which a fare of 5 cents is collected from each passenger. The zones and length of track in each zone are as follows:

Trenton to Sand Pit	2.97 miles.
Sand Pit to Lawrenceville	3.10 miles.
Lawrenceville to Province Line	3.10 miles.
Province Line to Princeton	3.39 miles.

Counsel for the City of Trenton contends (1) that the income from each fare zone should be ascertained (if possible) and if the revenues received in the fare zone from the City of Trenton to what is called the Sand Pit are sufficient to pay a fair return upon the portion of the cost of the plant constructed in said zone and a proportional share of the operating expenses, there should be no increase of fare *in that zone*, although the increase in the other zones might still be justified; (2) that the money invested in the physical property of the company has never paid (earned) a fair return upon the cost of construction and that it is improbable that it can ever be made to pay upon such cost.

Counsel's theory of arriving at a fair value is as follows: "We submit that the only way to arrive at this value is to take the net earnings for the series of years since the present management has owned the concern, to wit, from 1912 to 1917, both inclusive, and capitalize the same at 6%." According to this method of ascer-

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taining value, the value of the property would not be more than \$300,000.

The objection to this method of ascertaining value is that it fails to give due consideration to elements which in accordance with well-established legal principles must be considered.

In the leading case of *Smyth vs. Ames* (169 U. S. 466), the Supreme Court of the United States held that the

“basis of all calculations as to the reasonableness of rates to be charged by a corporation maintaining a highway under legislative sanction must be the fair value of the property being used by it for the convenience of the public. And in order to ascertain that value, the original cost of construction, the amount expended in permanent improvements, the amount and market value of its bonds and stocks, the present as compared with the original cost of construction, the probable earning capacity of the property under particular rates prescribed by statute, and the sum required to meet operating expenses are all matters for consideration and must be given such weight as may be just and right in each case.”

This Board has heretofore held in the matter of the rates of the Public Service Gas Company (N. J. P. U. C. R., Vol. I, p. 433):

“In order to determine the fair value of company’s investment in this division upon which it is entitled to earn a reasonable return, it is necessary to determine the value (1) of its physical plant and associated plant assets; and (2) the value of the company’s intangible property.”

Mr. Justice Swayze, speaking for the Supreme Court of this State in the review of the aforesaid case (84 N. J. L., p. 463) said:

“The commissioners undertook to ascertain the present value of the property. We are met with difficulties and valid objections whether we adopt the standard of actual investment, of cost of reproduction or present value. It would be a waste of time for us to go over this discussion. We think it enough to say that the great weight of authority is in favor of the standard of present value. That

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standard has the sanction of the United States Supreme Court in cases involving the constitutional rights of the companies and is said by that court to be no longer open to dispute under the Constitution. * * * There is, as usual, a difference in the valuation of the physical plant by the company and those employed on the part of the commissioners or the cities. The commissioners accepted neither valuation, but adopted a value above the lowest of all and above the assessed valuation, but less than that fixed by the lowest of the company's experts. Their method was not an exact one, but perhaps the result was as good as could be expected from the variance in the testimony."

Then, in discussing the elements in going value and the effect on the value of franchises of rates continuing, he said:

"Where, as in those cases the rate is fixed, the value of the franchise may be calculated upon the assumption of that rate. But where, as in this case, the rate is not fixed and may be changed, there is no stable basis upon which to calculate the value of the franchise, since that value is dependent upon the rate. The rate must indeed be reasonable, but to assume a value for the franchise in order to determine the reasonableness of the rate is to reason in a circle, the value and the rate are mutually dependent and one must be fixed independently if it is to form a basis for the calculation of the other."

Our Court of Errors and Appeals affirmed the decision upon the opinion of the Supreme Court. Judge White, filing an opinion, said (87 *N. J. L.*, p. 597):

"I think we may properly conclude, therefore, that the charging of unreasonably high rates in the past; if they have been so charged, can furnish no ground for the continuation of these rates in the future, and this although a shrinkage of commercial and taxing value of the franchise, will be the result of the State's enforcement of its contract right to require the rates to be reasonable in the future."

These principles have been clearly set forth in a recent book entitled "What is Fair," written by Prof. William G. Raymond, page 122, in which he says:

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“The dependable net earnings depend not only on the volume of business done and the efficiency with which it is done, but also on the character of the regulation, if there be regulation, as there now is throughout the United States. It depends in part on the rate allowed by the regulating body to be charged for service and hence the courts here said that value for rate-making, that is, the sum to be used as a basis for determining the fair rate of return to which the courts say a public utility is entitled, cannot be the value based on dependable net earnings, since these earnings are dependent on the rates and the result would be to reason in a circumference.”

From the record before us and the information at our command, no reason appears for any special recommendation concerning the fare to be charged in the fare zone between “Trenton and the Sand Pit.” The capital stock of the company is \$500,000. The property is bonded at \$600,000; the rate of interest thereon being 4% and the annual interest charge \$24,000. The Board in its report January 13th, 1913, of its investigation of the fares on this railway (N. J. P. U. C. R., Vol. I, p. 586) ascertained the value of the tangible property to be more than \$500,000, and stated in the said report that “it cannot be claimed that a rate of 6% on this basis would be excessive or unreasonable,” and concluded that “a net profit of \$30,000 over and above all expenses for operation, repairs and maintenance, is amply warranted.” In a subsequent report of this Board, dated October 10th, 1916 (N. J. P. U. C. R., Vol. IV, p. 530), the value of the property was found to be substantially \$575,000. The rate of return on this value of the property investment was 3.08 for 1915; 3.38 for 1916, and 2.32 for 1917.

Exhibit P-1 shows the operations of the company for the calendar years 1915, 1916 and 1917 as follows:

Car Mileage—	1915.	1916.	1917.
Passenger	291,401	242,835	239,347
Freight	15,461	14,630	14,527
Total	306,862	257,465	253,874

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INCOME ACCOUNT.

Gross passenger revenue	\$68,349.79	\$68,419.27	\$71,025.19
Gross freight revenue	9,489.70	10,788.82	11,498.24
Miscellaneous earnings	1,166.24	1,603.26	2,292.84
Total	\$79,005.73	\$80,811.35	\$84,816.27
Operating Expenses—			
Passenger	\$47,533.19	\$46,899.51	\$55,418.36
Freight	6,096.47	6,587.25	7,790.98
Total	\$53,629.66	\$53,486.76	\$63,209.34
Net revenue from operation	\$25,376.07	\$27,324.59	\$21,606.93
Taxes	7,708.26	7,907.44	8,278.52
Net income after paying taxes	\$17,667.81	\$19,417.15	\$13,328.41

The net income, after paying taxes as shown above, for the year 1915, was \$17,667.81; for the year 1916, \$19,417.15, and for the year 1917, \$13,328.41. The total operating expenses for the year 1916, \$53,486.76, and in the year 1917, \$63,209.34, an increase of .182 per cent.

The best year for the company was 1916, when it earned a net revenue from operations of \$19,417.15. Bond interest, therefore, was not met.

The company submitted a tabulated statement showing car mileage, income account, operating expenses, net income analysis thereof, property investment, operating income and return on investment for the years 1915, 1916 and 1917. These figures are not disputed and they show insufficient return on the property investment. The diminution of the net return of the company is principally due to the increased cost of fuel for the generation of power; the increased cost of all materials required for the maintenance of electric railway and the increased cost of labor. The attendance at Princeton College during the war period being diminished and the athletic games being curtailed during the commencement period, further temporarily affects the revenues of the company. The result of the previous order of the Board, dated October 10th, 1916, yielded the company the additional sum in reve-

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nue of \$2,606 for the year 1917. A larger increase in revenue was anticipated. The withdrawal of the commutation tickets at this time would, it is estimated, increase the revenue of the company approximately \$2,000.

The increase in the proposed fare is for the purpose of meeting a deficiency in operating revenue and bond interest, and not for the purpose of declaring dividends. The increased fare of 1 cent in each fare zone and the withdrawal of the commutation tickets will not return to the company a net revenue of 6% on the physical value of the property determined in our previous reports.

The Board will, therefore, permit the withdrawal of the commutation tickets and the increase in the rate of fares of 1 cent in each of the specified fare zones.

Dated May 15th, 1918.

No. 557.

MAYOR AND COUNCIL OF THE CITY OF HOBOKEN

VS.

PUBLIC SERVICE RAILWAY COMPANY.

Petition for a reduction in the rate of fare of a street railway from five cents to three cents is denied; the petitioner failing to sustain the allegation that a five-cent fare is unjust and unreasonable.

John J. Fallon, for complainant.

L. D. H. Gilmour and *E. W. Wakelee*, for respondent.

On March 26th, 1913, there was filed with the Board by the Mayor and Council of the City of Hoboken, a petition alleging that the Public Service Railway Company was the owner of certain street railway lines operating in the City of Hoboken, par-

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ticularly a line known as the "Washington Street Line" and the "Willow Avenue Line." That the "Washington Street Line" particularly, was patronized very largely by the residents of the City of Hoboken, upon which a fare of 5 cents was exacted by the Public Service Railway Company for the transportation of passengers within the limits of the said city, and which rate of fare, the petitioner charged, was unjust and unreasonable, and alleged that a 3-cent rate of fare for such transportation would be just and reasonable. The prayer for relief was, that an inquiry be held, and an order be made requiring the said Public Service Railway Company to reduce the rate of fare for transportation of passengers on its aforesaid lines within the limits of the City of Hoboken, and to determine upon and fix a just and reasonable rate of fare. To this petition the Public Service Railway Company filed an answer in which it admitted that it was the owner of the said lines, and that the rate of fare on the said lines was 5 cents for each passenger of full age, whether said passenger rides one block or to the limit of the fare zone, and denied that such fare is unjust or unreasonable, but that under the present system of charges for street railway service in the United States and throughout its entire system a fare of 5 cents is charged for each ride within the limits of what is known as a fare zone, irrespective of the length of the ride that a passenger takes, and that such fare under present conditions was not unjust or unreasonable, and that any reduction in said fare, or the institution of a fare of 3 cents for short riders would not furnish the said company with an adequate return for the service rendered. It further alleged that transfers were issued to passengers desiring the same to other lines of cars carrying them greater distances outside the City of Hoboken, and that no additional fare was charged therefor. It asked for a dismissal of the petition.

Upon the request of the petitioner no time was fixed for the hearing of the matter, the attorney for the petitioner advising the Board that the city was endeavoring to get together some statistical evidence for presentation to the Board at the hearing.

On July 14th, 1915, the said attorney for the petitioner requested that a time and place be designated for the hearing, and suggested that a date be fixed after September 15th, 1915. The Board then

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fixed September 22d, at the Court House, in Jersey City, as the time and place of hearing on the matter, and on September 14th, in a communication addressed to the Board, the Mayor of the City of Hoboken objected to the place of hearing, inasmuch as the matter was one affecting the interest of the people of the City of Hoboken, and requested that the hearing be held in the Council Chambers in the City Hall, in the City of Hoboken, at the aforesaid time. The calendar of the Board was such that other hearings were scheduled to be held at the Court House on the same day, and that it would be impossible to hold the hearing on that day in the City of Hoboken, but that a later date might be fixed. A later date was subsequently accepted by the petitioner, and the date of hearing was fixed for November 4th and 5th, at Hoboken. On October 1st, 1915, the petitioner filed an amended petition, in which it was alleged that the Public Service Railway Company, in addition to operating the lines in the City of Hoboken as indicated in its petition, operated another line known as the "White Line," through certain streets in the City of Hoboken to the westerly boundary line thereof, and thence to North Hudson, Secaucus, Passaic, &c., and another line known as the "Grove Street Line," operated through certain streets in Hoboken and beyond the boundaries thereof in and through the City of Jersey City, and several lines operated on a trestle or viaduct of said Railway Company along Ferry Street, Hoboken, to the boundary thereof, and thence through Jersey City. It alleged that the Public Service Railway Company exacted a 5-cent fare from passengers for transportation on all of the aforesaid lines within the limits of said City of Hoboken, which rate of 5 cents it charged was unjust and unreasonable, and that a 3-cent rate of fare for such transportation would be just and reasonable.

A further postponement of the hearing was made by petitioner on October 29th, 1915, and November 26th was fixed by the Board at the same place.

Numerous hearings have been held by the Board in the matter since the last-mentioned date to and including the final hearing held on April 11th, 1917. The record is very voluminous. Much time of the Board was consumed, and a great deal of testimony was presented by the petitioner and many exhibits were offered in evi-

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dence. The petitioner sought to present an appraisal of the properties of the Public Service Company in the City of Hoboken. It also attempted to present to the Board a survey of the traffic on the lines of the said Railway Company in the City of Hoboken.

For the purpose of making an appraisal and valuation of the properties of the Railway Company in the City of Hoboken, the city engaged J. C. Brackenridge and E. C. M. Rand, as experts in street railway valuation. Assisting these gentlemen were L. Francis Brown, George Gottesman and William Watson. In addition to these, the city produced Peter J. Murray, Clerk of the Board of Assessors, who testified as to the assessed valuations of the Railway Company's property in the City of Hoboken. The testimony of all of these gentlemen, together with the numerous exhibits offered by them, does not constitute an appraisal or valuation of the properties of the Public Service Railway Company which this Board could use as a basis. It would be impossible, from the testimony, for the Board to determine whether or not the principles employed by these gentlemen in making their appraisals were correct ones, or whether they are fundamentally sound. The testimony is very much confused and difficult to reconcile, and, fundamentally, it is apparent that no scientific methods were employed in the preparation. In justice both to the company and the public, a determination of this important matter should have greater substance for support than has been presented in this case.

The attempted traffic count made by the witness Rand and his assistants is as novel as it is indefinite. A count of the passengers coming into and going out of Hoboken was made. The number of cars in operation in Hoboken was ascertained, and the car miles for the fiscal year 1914 to 1915 was approximated. He estimated the number of passengers on the lines of the Railway Company within the City of Hoboken, as well as the number of inbound and outbound passengers through the City of Hoboken. He ascertained the gross receipts of said company from passenger fares to be the amount obtained by multiplying the total number of passengers estimated by him as those traveling wholly within the City of Hoboken, and adding thereto the number of passengers going beyond the city lines by 5 cents for each passenger, and this sum he estimated being attributable to Hoboken alone. On the contrary, he

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did not consider the receipts from passengers coming into Hoboken from other points.

The traffic count was testified to by George S. Gottesman, who assisted Mr. Rand. The counts being taken by various men placed at various points called stations in the City of Hoboken, who tabulated the number of cars and the number of passengers on the cars as they observed them. The maximum number of cars was obtained by ascertaining the number of cars operated during a period of 60 minutes approximately, then dividing the number of cars obtained into the number of minutes and calculating the distance apart two cars should be if operated at a speed of eight hours. Then he divided this distance into the length of routes and then ascertained the greatest number of cars found on the car routes at any one time. From the cards and slips which were offered in evidence, and, incidentally, which did not include all of the tabulations because one witness who took some of the counts was dead, and several others could not be produced, he ascertained the total of inbound passengers from points outside of Hoboken as 14,002,860, and outbound passengers as 15,678,575, or a total of 29,681,435, at 5 cents per passenger. The total revenue for the year from these he estimates at \$1,484,071.75. That the portion of the revenue which the City of Hoboken should be credited with is 271,925 inbound pick-up passengers in the City of Hoboken, plus the total outbound passengers, at 14,075,130, or \$797,525.

Mr. Rand, who had previously testified, being recalled, corrected his testimony to conform to Gottesman's corrected testimony. He excluded all inbound passengers, revenue and expenses from his computation as to the amounts chargeable against the City of Hoboken, and he used 53.74% of the total operating expenses as estimated by him as chargeable against the City of Hoboken. The witness was unable to support the theory of thus calculating, and was not able to point to any authority other than himself for its support. He himself was not able to present any valid arguments sustaining the theories of thus apportioning the operating expenses and revenue to the City of Hoboken, and the Commission is unable to find any reasonable grounds to support such a theory. It is unscientific and contrary to all theories which have ever been involved in rate cases.

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We are therefore of the opinion that the petitioner has utterly failed to sustain the allegations of its petition. A satisfactory conclusion, even after a complete analysis of the testimony, is impossible, because of the confused state in which it was presented. Much of the testimony offered by various witnesses was subsequently withdrawn because of inaccuracy. Many of the elements necessary to a proper appraisal were disregarded, and it would seem that no genuine attempt had been made by any of the witnesses to ascertain any proper allocation of the passengers, revenue therefrom, or operating expenses to the City of Hoboken, which would justify the Board in making any determination as to the merits of the application.

The petition will therefore be dismissed.

An order will be so entered.

Dated May 15th, 1918.

No. 558.

CITY OF HOBOKEN

VS.

HACKENSACK WATER COMPANY.

In a complaint by a municipality of inadequate water supply it is maintained that by virtue of a contract with a water company the latter is obliged to furnish the former a good and sufficient supply of pure and wholesome water at all times during the period of said contract, notwithstanding what demands may be made upon the company by other municipalities or parties. The Board is asked to compel compliance with the terms of this contract.

Held: 1. The jurisdiction of the Board extends further than the contract and, in its consideration of any service, it must regard the service to all customers supplied by a utility, regardless of the existence of contracts.

2. There are many situations in which it is justifiable to suspend service in whole or part. The company was justified in the partial suspension or cutting down of service when it became apparent that its reservoir reserve could not be maintained.

3. No discrimination appearing against the petitioner, the complaint is dismissed.

City of Hoboken *vs.* Hackensack Water Co.

John J. Fallon, H. L. Allen and Wm. A. Kavanagh, for complainant.

Wm. M. Wherry and H. L. DeForest, for respondent.

The City of Hoboken, on or about January 14th, 1918, filed a complaint, in which it alleged that by agreement in writing made between the Hackensack Water Company and the Mayor and Council of the City of Hoboken, dated November 15th, 1881, the Hackensack Water Company agreed to furnish and supply to the City of Hoboken during the term of fifteen years commencing November 1st, 1882, "a good and sufficient supply of pure and wholesome water for all purposes in the City of Hoboken and for that purpose to make one 16 and one 12-inch connection from their reservoir, each to be joined to the main pipe of the City of Hoboken at the northerly line of the said city;" that the City of Hoboken agreed on its part "to maintain the pipes and apparatus used in said city in good order and prevent by all means in their power the loss or waste of water;" that thereafter on April 30th, 1897, a further agreement was made and executed by the said parties; the agreement was extended to operate a further period of twenty-five years from November 1st, 1897; that in the year 1908 as the result of negotiations between the Hackensack Water Company and the City of Hoboken, which grew out of complaints by the city that the supply then being furnished was inadequate, the City of Hoboken agreed to and did construct a 30-inch water main in said City of Hoboken at a cost of upwards of \$100,000; that at divers times since the installation of said main that the water company had failed to furnish a good and sufficient supply of water for all purposes in the City of Hoboken; that for several years past the supply "though not entirely adequate, was deemed by the city to be fairly reasonable, the pressure as shown by a register in the office of the water registrar of the City of Hoboken indicating a general average of about forty pounds;" that on or about January 3d, 1918, the supply became inadequate and continued to be inadequate up to and including January 11th, 1918, and that the pressure as indicated on the said register throughout said period was of a general average of nineteen and three-eighths pounds, so

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that general complaint had been made by the merchants, manufacturers, property owners and tenants throughout the entire city of the inadequacy of the water supply during said period. The water company claimed it had a plentiful supply of water on hand to meet the requirements and that the trouble was likely a local one due to leaking water mains.

The city further maintains "that by virtue of its aforesaid contract with the Hackensack Water Company, said company is obliged to furnish to it a good and sufficient supply of pure and wholesome water for all purposes in the City of Hoboken, at all times during the period of said contract, *notwithstanding what demands may be made upon the said company by other municipalities or parties,*" and "that an order be made requiring said company to fulfill its said contract by furnishing a good and sufficient supply of pure and wholesome water for all purposes to the City of Hoboken daily during the remainder of the period of its aforesaid contract with the city."

The company admits the existence of the contract referred to, but denies any other contractual relations with the city as to the erection of the 30-inch main referred to in the complaint. It alleges that it offered to supply the said city through a new 30-inch water main. It offered to erect a new 30-inch water main to the city line and that the City of Hoboken constructed a water main of the same size within the city lines to meet the one erected by the water company, and that the effect thereof was to give to the said city a more abundant supply of water without any more additional revenue to the water company. It denies that it has ever neglected to comply with the provisions of either of the contracts as to the supply of water, and, on the contrary, alleges that it has throughout that period supplied said city a good and sufficient quantity of water until about January 4th, 1918, when the supply of water was diminished by causes entirely beyond its control.

The water company states the causes of the diminution of the supply were the unprecedented "duration of extreme cold weather, coupled with the unprecedented scarcity of fuel, which led to an unprecedented waste of water by consumers in and outside of Hoboken. This waste was partly involuntary, in so far as it was caused

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by frozen plumbing, and partly voluntary, because a large number of consumers let their water run almost continuously, probably to prevent their plumbing from freezing.

“Another cause was the serious fire in Hoboken on January 4th, which involved the unexpected loss of a large quantity of water.

“Contributing causes were the failure of the City of Hoboken to maintain its pipes and apparatus in good order and prevent, by all means in its power, all loss or waste of water, and the unexpected consumption incident to the recent establishment of a national concentration camp known as Camp Merritt, near Tenafly.”

The answer alleges that none of these causes were within the power of the water company to prevent, and that the combined causes could not be foreseen; that they affected other municipalities and districts supplied by the water company as well as the City of Hoboken; that for a long time previous to January 3d, 1918, the City of Hoboken failed to maintain the pipes and apparatus used by it in said city in good order and to prevent by all means in its power the loss or waste of water.

The answer further alleges:

“(6) Said contracts inter alia provide that in all cases the City of Hoboken shall, on request of the water company, have the water measured by meters now in use or by others of a similar pattern, to be approved by the water company. The City of Hoboken failed to comply with this provision of the contract at an early period in the contractual relations between the parties, and in order to prevent waste of water, without waiving in any respect this provision of the contract, the water company offered to itself furnish meters for a number of consumers in Hoboken and did so. Later on, about five years ago, the water company, in order to prevent waste of water, offered to itself provide meters for a large number of consumers in the City of Hoboken then and now unmetered. This offer was not accepted by the City of Hoboken, and upwards of 1,600 consumers in the City of Hoboken are now, and for a long time past have been, supplied with water without meters, whereas practically all consumers in the territory directly served by the water company are, and for many years have been, metered.”

The company asks “that an order be made requiring the City of Hoboken to fulfill its contract, by maintaining all pipes and

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apparatus used in said city in good order and to prevent by all means in its power all loss or waste of water.

“That the City of Hoboken have all water supplied in said city measured by meters in use at the time of the execution of the contract or by other meters of the same pattern to be approved by the water company.”

While the testimony is voluminous, much of the ground covered by it as to the plant of the respondent and its system, source of supply and pressures, was the subject-matter of an exhaustive investigation heretofore made by this Board in the matter of the investigation of the service afforded by the Hackensack Water Company, a full report of the result of said investigation having been made by this Board April 28th, 1917. It, therefore, does not become necessary to review the testimony in the present case, in so far as these subjects are fully discussed in said report. While the complainant in the present proceedings was a party in the former investigation, having been served with notice thereof, it did not appear. Otherwise, much time might have been saved in the present investigation by the taking of testimony on these subjects.

The present investigation briefly discloses the following:

That since the installation of the 30-inch water main by the city and the water company in 1908 and until about January 1st, 1918, an adequate water supply was furnished to the City of Hoboken by the Hackensack Water Company. This is admitted by the city in its brief (page 1). The normal water pressure at the intake prior to and until about January 1st, 1918, was about seventy pounds. About this date the supply of water furnished by the company to the city became inadequate and continued to be inadequate for some time thereafter.

It was testified to by a number of witnesses, and is generally known, that the weather during the past winter was almost without precedent. Spells of intense cold weather are present each year and it needs no proof to disclose that during these cold spells the use of water is greater than in warm or moderate times. The principal reasons for this are that mains and service-pipes freeze and break, which causes leaks and the consequent loss of water. In addition to this, water users, to prevent freezing of pipes, allow

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faucets and valves to remain open, thus permitting the water to run continuously for a long period, so that in normal winters frequently, if the cold spells are of long duration, it requires more than ordinary efforts by water companies to keep the necessary supply at all times fully replenished. The past winter is notoriously known to have been abnormal. The temperature during almost the entire months of December and January last was abnormally low. Fuel was scarce and difficult to obtain and occupants of houses more than ordinarily had difficulty in keeping the water service-pipes from freezing. From experience, it is a fair deduction to assume that under these circumstances faucets were allowed to remain open more than ordinarily. The water in the City of Hoboken is largely unmetered and it is urged by the water company that water users on unmetered services are less likely to economize in the use of water than on metered services, and that for this reason the loss of water was greater in Hoboken than in the metered districts.

On the morning of January 4th a serious conflagration occurred in Hoboken. During the first few days in January the pressure began to fall off and became less, so that at the time of the fire the pressure at the fire headquarters was about twenty pounds. Much water was used at the fire. The pressure became finally insufficient so that water had to be pumped from the North River by the engines of the city, the river being nearby to the location of the fire. This course was followed by the fire officials upon the request of the general manager of the water company because the reserve reservoirs of the company had become so taxed that they were fast becoming empty. That there was a shortage of water subsequently is conceded and it is not denied that the supply was inadequate for some time thereafter, and continued to be to the time of filing the petition.

The respondent contends that it has a sufficient pump capacity, a sufficient general reservoir capacity and a sufficient transmission capacity to take care of its normal obligations, in addition to such abnormal demands as may be reasonably anticipated, but that all of the combined causes were so remote and without any precedent and so abnormal that the resultant condition resolved itself to a

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problem of the best course of operation under the conditions; that the increased consumption of water during December due to the above and other causes was known to the company and that it was unable to keep its reservoirs filled to their required capacity and at the same time supply the consumers adequately with water.

The company maintains two storage or balancing reservoirs for emergency, known as Reservoirs Nos. 1 and 2. The capacity of these combined reservoirs is about eighty million gallons. Hoboken is supplied from these reservoirs. It became apparent to the officials of the respondent that the consumption of water during December was so great that with the operation of its pumping system to its maximum it would not be able to keep these storage reservoirs filled. The superintendent of the water company testified that during the low temperature period the average loss was between six and seven million gallons per day and that on some days it went as high as ten million gallons. These maximum losses occurred during the first part of January. There had been reservoir losses in the latter part of December, and while they were considerable, the loss never exceeded two or three million gallons daily. The respondent endeavored to keep between eighty and ninety million gallons of water in these reservoirs. In previous winters the minimum to which the amount of water in these reservoirs had ever been reduced was between forty and fifty million gallons. On January 1st the amount of water in these reservoirs was about thirty-seven million gallons, and on January 2d the increased consumption of water caused a further shrinkage, as follows: January 1st, 5,700,000 gallons; January 2d, 8,500,000 gallons; January 3d, 8,700,000 gallons; January 4th, 10,000,000 gallons.

The operating officials of the respondent undertook to avoid the losses on these days by cutting down the service temporarily to the manufacturing consumers 50%. All manufacturing consumers were notified by telephone. The system was throttled down to conserve the supply to a point when the consumption on the whole system would not exceed the pumping capacity. This throttling down of the system was effected by the partial closing of the valves on different portions of the system. The territory of the system was classified as between manufacturing and do

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mestic consumption and also as to the fire hazards of the various communities served. Arrangements were made with the chiefs of the various fire departments of the various municipalities throttled down that in the event of a conflagration occurring the valves would immediately be opened up. The company's operating officials further arranged to receive notice of the occurrence of such a conflagration at any hour of the day or night, keeping several of its employes at its office during the night with automobiles available to dispatch the employes to the points where the valves were located, should notice of conflagration be received. Complaint was made by the City of Hoboken on January 3d. From the records of the respondent company it appeared that the consumption was so great at that time in Hoboken as to justify the belief that the system of the city must be leaking. An examination of the pipe system in the city was made. No leaks were found, excepting that it was ascertained that a 12-inch valve on a dead-end of the line was partly open, permitting the water to discharge in the Hudson River at Fifteenth Street. On the morning of January 4th the supply to the City of Hoboken was throttled down during part of the time. Full service was permitted during the morning and evening. On the morning of the 4th the conflagration occurred and the water in No. 2 reservoir was drawn down to a point where it was no longer serviceable, and the water in No. 1 reservoir was drawn down to five feet, or five million gallons. On January 4th the total volume of water in reservoirs Nos. 1, 2 and 3 was only twelve million gallons. There had been a gradual withdrawal and loss beginning about December 27th, and on which day there was a loss of one million five hundred six thousand nine hundred seventy-seven gallons; the following day about three million gallons; on December 29th about two million seven hundred fifty thousand gallons, and on December 30th eight million five hundred thousand gallons. It was on the morning of the fire that the city was throttled down during the daytime by the respondent in its effort to replenish the reservoirs and with all pumps working the volume of water in the reservoir was greatly increased. Mr. French testified that on January 23d, 1918, the volume of water then in the reservoirs was about forty million gallons.

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Nicholas S. Hill, Jr., an engineer produced by the respondent, offered in evidence a chart showing comparisons of duration and intensity of cold spells on the pumpage and consumption from the New Durham pumping station of the respondent from records of the company for the winters 1913-1914, 1914-1915, 1916-1917, 1917-1918. The temperature records shown on this diagram were taken from the United States Meteorological records for the City of New York and the pumpage records were taken direct from the company's records of pumpage as maintained by the respondent at its office and the consumption records in the same manner by taking the pumping and added draft from storage as recorded in the company's record. The curves all indicated the tendence of the consumption to increase in each year with the decrease in temperature.

A very exhaustive cross-examination of all the witnesses for the water company was made by the attorney for the municipality. From the testimony of all of the witnesses, both for the municipality and for the water company, as well as the knowledge of the members of this Board, it appears that the intensive low temperatures prevailing during December and January were without precedent, also that during the winter months the drain on water supply systems is greater than at other seasons of the year. The members of this Board have knowledge, through complaints made to it, of the failure of other systems in this State during the past winter to meet the necessary demands upon them for adequate service and it is a matter of common knowledge that many large water supply systems were unable to furnish adequate service at some time or other during the period of low temperature.. This difficulty was further augmented because of the scarcity of coal for heating purposes, causing other measures to be resorted to than heating houses to avoid the freezing of pipes. Note should also be made of the increased consumption of water during the past year by Government camps and industrial plants engaged in war industries. One of the Government camps is located within the area supplied and is supplied by the Hackensack Water Company. And further, war industrial plants are also customers of the said water company. These reasons combined presented an operating problem which the company had to meet.

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In the matter of the investigation of the rates of the Hackensack Water Company, heretofore before this Board, it was maintained by some of the municipalities served that the facilities of the water company were over-developed and that the consumers were burdened because in the rates they were obliged to pay for an unnecessary large development of facilities for present use. This was not found by this Board to be the fact. In the matter of the investigation of the service afforded by the Hackensack Water Company, by this Board, was the following requirement and upon which an order was subsequently made: (See Report dated April 28th, 1917.)

1. "To make such additions and extensions to its pumping plant, its transmission system and its distribution mains as will result in the increase of pressures to the general limits referred to in Appendix A."

While Hoboken is not included in the municipalities shown in Appendix A, these additions when made will increase the pressure and supply to the city. The superintendent of the water company admits that the additional transmission line planned to be installed would have avoided in a large measure the experience suffered by Hoboken during the last winter. The order of this Board in the service case should be observed as soon as possible. The installation of the transmission mains has not been begun by the company, as ordered by this Board. The company states its failure to comply is due to the fact that the cost in these abnormal times is almost prohibitive. However, it could not have been completely installed since the order of this Board was made, so that we must deal with the situation as we find it.

Our present inquiry therefore is (1) are the facilities of the water company sufficient to furnish safe, adequate and proper service? (2) If they are, did the respondent so operate its facilities as to furnish the best service it could under all the circumstances?

The petitioner seeks its relief on its contract to furnish the City of Hoboken a good and sufficient supply of pure and wholesome water for all purposes in the said city. The jurisdiction of this Board extends further than the contract, and in its considera-

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tion of any service must regard the service to all consumers supplied by a utility, regardless of the existence of contracts. The petitioner concedes that up to January 1st, 1918, it obtained an adequate supply of water from the respondent company. Conceding this, it must be admitted that the facilities of the respondent until January 1st, 1918, were sufficient and did furnish to the petitioner safe, adequate and proper service, as is required by law. On the other hand, it is admitted by the water company that its facilities failed during the months of December, 1917, and January, 1918. From all of the testimony we are satisfied that the emergency was met by the operating officials in the best practicable manner for the benefit of all consumers served by it. In any emergency there may be criticisms of operation. We feel that our duty is to satisfy ourselves that in handling an emergency there was no neglect on the part of the operating officials nor such mistakes as could have been reasonably avoided with proper diligence.

There are many situations in which it is justifiable to suspend service in whole or in part. We find the circumstances in this case justified the partial suspension or cutting down of service by the respondent when it became apparent that the reservoir reserve could not be maintained. We also find that it was justified in classifying the consumers with respect to the fire hazard of each, and it does not appear that it discriminated against the petitioner.

The Board, however, calls attention to its order of April 28th, 1917, in which it ordered such installation of a transmission system and distribution mains as will result in the increase of pressures. Much of the experience of the past winter might have been avoided had such transmission system and distribution mains been in operation. Even though the prices of pipe are unusually high, at least a part of the additional transmissions should be installed, and the completion of all the work ordered should not be unreasonably delayed.

The attention of the municipality is also directed to the policy of metering water. It is a matter of common knowledge that in periods of low temperature consumers of water on unmetered systems are likely to have less regard for waste than consumers on

Tuckerton Gas Co.—Readiness-to-Serve Charge.

metered systems. While, under its contract with the respondent, the municipality is not obliged to meter the service to the consumers, nevertheless we are of the opinion that it would greatly aid in maintaining the reserve supply were meters installed on consumers' lines.

The petition, therefore, will be dismissed.

An order will so enter.

Dated May 21st, 1918.

No. 559.

**TUCKERTON GAS COMPANY, IN THE MATTER OF THE PROPOSED
READINESS-TO-SERVE CHARGE.**

1. Application is made by a gas company for approval of increased rates on the ground that there has been a large increase in cost of distribution and sale of gas due to conditions resulting from the war.

2. It appears that the company purchases all its gas at a low rate which has not been increased. Expenses of distribution and sale do not appear to have increased to an extent to justify granting the application. The petition is dismissed.

J. A. Riggins, for the petitioner.

On January 31st, 1918, the Tuckerton Gas Company filed a petition, alleging, amongst other things, that the

“* * * * large increase in cost of distribution and sale is due to conditions over which the company have no control, which are the result of abnormal demands brought about by the great Inter-National Strife.

“That the deficit in net revenue due solely to the abnormal conditions of 1917 over 1916 is \$285.34.

“That during the continuance of the abnormal conditions above set forth your petitioner is entitled to such increase in net revenue as would fairly represent the increasing cost of gas and distribution caused thereby.

Tuckerton Gas Co.—Readiness-to-Serve Charge.

“Your petitioner therefore prays that a ‘Readiness-to-Serve Charge’ of 25 cents per month or \$3 per year, per customer, shall be added to the rate now charged by your petitioner.”

The matter was heard by the Board on March 6th.

The existing schedule of rates of this company is as follows: \$1.50 per thousand cubic feet with 10% discount if paid in ten days; \$1.25 flat on ten thousand cubic feet or over per month.

This company no longer generates gas in its own station, but for a period of five years or upwards has purchased its gas from the Ocean County Gas Company (whose generating plant is located at Toms River, about 30 miles northerly) at a price of \$0.80 per thousand cubic feet of gas.

Examination of the annual reports submitted by the petitioner to this Board from 1912 to 1917 inclusive does not appear to bear out the allegation that this additional service charge is required by reason of the “large increase in the cost of distribution and sale * * * * due to conditions over which the company have no control, which are the result of abnormal demands brought about by the great Inter-National Strife.” In order to demonstrate the fact that this is not in accordance with facts as shown in the annual reports, Table I is given showing the operating expenses and taxes of the petitioner for the years 1912 to 1917 inclusive, omitting therefrom cost of “Gas Purchased,” which has been uniformly \$0.80 per thousand, cost of operating street lamps, which is not in proportion to the sales of gas, and general amortization, which is an appropriation account to take care of depreciation to be realized some time in the future and may vary to accord with the views of the management. The next to the last line of this table indicates that for the items included in the table the cost per thousand cubic feet for 1912 was 23.4 cents; for 1916, which the company assumes to have been normal, 18.7 cents, and for 1917, 17.7 cents. It would appear, therefore, that there is no basis for this application on the grounds alleged by the petitioner.

Tuckerton Gas Co.—Readiness-to-Serve Charge.

TABLE I.

OPERATING EXPENSES AND TAXES—OMITTING GAS PURCHASED, STREET LIGHTING AND GENERAL AMORTIZATION.

	1912.	1913.	1914.	1915.	1916.	1917.
I. Production expenses other than gas purchased	98	6	13	1	....	95
II. Distribution expense	521	344	342	317	402	158
IV. Commercial	247	233	280	327	340	381
VI. General and miscellaneous, omitting general amortization,....		22	12	15	32	25
Operating expense, omitting gas purchased and general amortization	866	605	647	660	774	659
Taxes and uncollectible bills	220	244	272	260	268	277
Total revenue deductions (omitting gas purchased, municipal street lighting and general amortization)	1086	849	919	920	1042	936
Totals above per M. cu. ft. sold	23.4c.	16.7c.	17.5c.	17.4c.	18.7c.	17.7c.
Gas sales, M. cu. ft.	4642	5072	5249	5276	5566	5275

Ocean County Gas Co.—Readiness-to-Serve Charge.

In another report of this Board with respect to an application of the Ocean County Gas Company, which company serves the petitioner with gas, in the matter of its proposed "Readiness-to-Serve Charge," it is shown that the price of \$0.80 for gas purchased by the Tuckerton Gas Company is insufficient to reimburse the selling company for its fair cost of serving gas to the petitioner. It is further indicated in the report that, based on 1918 conditions, the fair price should be \$1.05, an increase of 25 cents over that heretofore charged. Under existing conditions, then, it would appear that the petitioner is not entitled to the relief prayed for. If, however, the Ocean County Gas Company should increase the price of gas to the petitioner, a petition may then be submitted, asking for such relief as the facts may warrant.

The petition, therefore, will be dismissed.

Dated May 23d, 1918.

No. 560.

OCEAN COUNTY GAS COMPANY IN THE MATTER OF THE PROPOSED
READINESS-TO-SERVE CHARGE.

1. A gas company supplying gas to metered customers for municipal street lighting and to another gas company proposes to obtain additional revenue by increasing rates to metered customers only. This is denied.

2. Increased charges are allowed due to increased costs of production.

3. A monthly service charge is reasonable, because for each customer the company must incur certain expenses without regard to the amount of gas actually used.

J. A. Riggins, for the petitioner.

W. H. Jeffrey, for the Borough of Beechwood, Township of Dover and Borough of Island Heights.

H. L. Brinley, for the Township of Lacey.

Ocean County Gas Co.—Readiness-to-Serve Charge.

On January 31st, 1918, the Ocean County Gas Company filed with this Board a petition, asking, in part, as follows:

“That during the continuance of abnormal conditions as set forth, your petitioner is entitled to such increase in net revenue as would fairly represent the increase in cost of manufacture and distribution caused thereby.

“Your petitioner therefore prays that a readiness-to-serve charge of 25 cents per month or \$3 per year per customer shall be added to the rate now charged by your petitioner.”

The existing rate schedule of this company is as follows: The rate is \$1.50 per thousand cubic feet, less 10% cash discount for prompt payment.

Several hearings were afforded the petitioner, beginning on March 19th.

The theory upon which the petitioner based its application for the readiness-to-serve charge was that the net revenue received by it for the year 1916 was the normal revenue which it should receive to afford it a fair return upon the value of its property used and useful during that year. Acting upon this assumption, it developed this theory by adding to the cost for the year 1916 increased costs accruing by reason of war conditions during the years 1917 and 1918 and thereby sought to substantiate the claim that it was entitled to receive additional revenue to the extent of \$5,916.31, a portion of which it proposed to reimburse itself by charging a fixed service charge of \$3 per year for each of 1,400 meters; this would give, it is estimated, a revenue of \$4,200 (assuming that it would lose 61 customers as compared with those served during 1917).

In order to test the theory of the petitioner with respect to whether the return enjoyed by it heretofore was fair and reasonable or not, the following method has been adopted: As a basis of capital used and useful, excluding therefrom working capital, the sum of \$150,214 as of September 30th, 1916, shown in the Board's report dated April 6th, 1915, is taken as a starting point. To this are added the net additions from that date to June 30th, 1917, which gives a total fixed capital, as of that date, of

Ocean County Gas Co.—Readiness-to-Serve Charge.

\$165,610 tangible and intangible value; to this is added for working capital \$6,000, making a total capital base of \$171,610, which is about two-thirds of the value as claimed by the company in its annual report to this Board for the year 1917 at the corresponding date.

For the purpose of this report, in order that the petitioner may continue to render service, we will assume that it is entitled to a return of 6% on the value of \$171,610, to which, as related to capital, will be added the actual appropriation for depreciation and the actual taxes *other than franchise taxes*, as shown by its annual report for 1917. This amounts to an additional 1% and 7% on capital will be taken for these items. Seven per cent. of \$171,610 is \$12,013.

The operating expenses are \$17,798, plus a franchise tax of \$456 and uncollectibles of \$1 which make a total "deduction from revenue," \$18,255, which, added to \$12,013, would indicate a total revenue, required for the year 1917, of \$30,268, from which is deducted \$616 for sales other than gas, leaving \$29,652 as the revenue required from gas sales in order to afford the return indicated. The actual revenue from the sales of gas received by the company during 1917 was \$28,355, which would indicate an apparent shortage of \$1,297 for the year. The company serves three classes of customers, viz.: its own customers, served through meters; municipal street lighting, and the Tuckerton Gas Company. The petitioner assumes, however, that all increases shall be imposed upon the first class of customers. In order to ascertain whether this is a proper assumption, it will be necessary to allocate the 7% on the capital hereinabove indicated as well as operating expenses and franchise taxes to these three classes of customers. This allocation can be made upon two theories: first, where a company has but a little margin in its generating and distribution system over and above requirements for a proper reserve capacity, in which case it would appear proper to charge each class of customers for the use made of the plant and property in direct proportion to the use so made; second, where there is quite a large excess capacity in its system, over and above that required to maintain a proper reserve capacity, it may be proper for a com-

Ocean County Gas Co.—Readiness-to-Serve Charge.

pany to charge an outside customer or gas company only those excess costs required by it to meet the added cost for operating expenses in order to deliver the product to such a customer, adding a small amount thereto for the use of property involved in the manufacture and delivery of its product so sold. By so doing the selling company can profitably employ the otherwise waste capacity until such time as the sales to its own customers shall be increased to such an extent as to absorb the excess capacity for the proper uses of the selling company. It is apparent, especially in the case of a gas company, that the longer the hours of generation of gas, the smaller will be the percentage of loss through radiation and "standby" periods.

Allocation of the Revenue Required During 1917 on the "Proportional" Theory.

We will take up the first theory in detail. In Table I is shown an allocation of the Fixed Capital and of the Working Capital for the three classes of customers, together with the corresponding amounts computed at 7% on the capital base. In this table the intangible values allowed by the Board in its report above referred to have been added pro rata to the tangible values for the classes of property as shown. In the 7% shown in Table I, 6% is for the use of property and 1% for the actual amount shown in the operating statement of the company for the year 1917 to cover appropriations for depreciation and for taxes other than franchise. With respect to the amount of mains charged to the Tuckerton Gas Company, the value of the transmission mains from the generating station to the inlet of the Tuckerton Gas Company's distribution system has been computed in sections and that proportion of the value of each section indicated by the ratio of Tuckerton gas to total gas transmitted through that section has been assigned to Tuckerton, and the sum total for all the sections, amounting to \$25,488, is taken as the cost of the transmission mains used for the service of gas to Tuckerton.

In Table II is shown the operating expenses and the franchise taxes (only) for 1917, allocated to the same three classes of service.

Ocean County Gas Co.—Readiness-to-Serve Charge.

TABLE I.

(a) *Value of property of Ocean County Gas Company, as of June 30th, 1917, allocated to classes of customers.*
Based on valuation made by the Board's engineer, as of September 30th, 1914, plus book additions to July 1st, 1917; with intangible values distributed pro rata among physical values.

(b) *Return on same at 7 per cent. to provide for profit, depreciation and taxes other than franchise tax.*

Account Numbers.		Value of Property.				Seven Per Cent. Interest on Value to Cover Interest, Depreciation and Taxes, Other than Franchise.			
		Company. 6-30-17.	Metered Consumers.	Street Lamps.	Tuckerton.	Company.	Metered Consumers.	Street Lamps.	Tuckerton.
110-117	I. Production or plant	\$34,687	\$24,017	\$2,806	\$7,864	\$2,428	\$1,681	\$196	\$551
118	IIa. Transmission and distribu- tion mains	85,009	52,914	6,607	25,488	5,951	3,704	463	1,784
119-121	IIb. Meters and services	37,109	37,109	.....	.....	2,598	2,598	...	.....
122	III. Street lighting	2,912	.....	2,912	.....	204	.....	204	.....
107 and 124-131	VI. General	5,893	4,893	500	500	412	342	35	35
	Fixed capital	\$165,610	\$118,933	\$12,825	\$33,852	\$11,593	\$8,325	\$898	\$2,370
	Working capital	6,000	5,000	500	500	420	350	35	35
	Total	\$171,610	\$123,933	\$13,325	\$34,352	\$12,013	\$8,675	\$933	\$2,405

Ocean County Gas Co.—Readiness-to-Serve Charge.

TABLE II.

OPERATING EXPENSES AND FRANCHISE TAXES FOR 1917, APPORTIONED TO CLASSES OF SERVICE (OTHER TAXES AND DEPRECIATION SHOWN IN TABLE I.).

	Company Total.	Metered Consumers.	Street Lights.	Tuckerton Gas Company.
I. Production expense	\$13,777	\$9,492	\$1,185	\$3,100
IIa. Transmission and distribution mains ...	137	95	11	31
IIb. Services and meters	200	200	.....	.....
III. Municipal street lights	484	.....	484	.....
IV. Commercial	1,305	1,298	6	1
VI. General and miscellaneous, omitting de- preciation	1,895	1,515	190	190
Operating expense	\$17,798	\$12,600	\$1,876	\$3,322
Franchise taxes proportional to 1916 ..	456	326	42	88
Uncollectibles	1	1	.....	.....
Deductions from revenue	\$18,255	\$12,927	\$1,918	\$3,410

Table III combines the two classes of costs, showing the total revenue required by the company, allocated to the same three classes of service, from which is deducted merchandise sales likewise allocated, leaving the revenue required by the company in order that it might earn 6% on its capital, used and useful, during the year 1917. In the line following is shown the actual revenue received during 1917 for the same three classes of service. It will be noted that the company on the total revenue failed, by the amount of \$1,297, to receive 6% interest. With respect to metered customers it received a profit of \$751; with respect to street lamps it suffered a loss of \$574, and with respect to the gas sold to Tuckerton Gas Company it suffered a loss of \$1,472. In terms of gas sold, shown in the last two lines of the table, it will be noted that the revenue required for the company, as a whole, averaged \$1.274, whereas the revenue received was \$1.22. The revenue required from the metered customers was \$1.313, whereas the revenue received was \$1.36. The revenue required from street

Ocean County Gas Co.—Readiness-to-Serve Charge.

lamps was \$1.485, whereas the revenue received was \$1.18. The revenue required from Tuckerton was \$1.079, whereas the revenue received was \$0.80. On this basis it is apparent then that the company's proposal to impose an increase of \$4,200 on the metered customers is not justified by this analysis.

TABLE III.

REVENUE FOR 1917 REQUIRED BY FOREGOING ANALYSIS IN TABLES I. AND II.

	Company Total.	Metered Customers.	Street Lamps.	Tuckerton Gas Company.
In Table I.—				
For profit, depreciation, taxes, excluding franchise	\$12,013	\$8,675	\$933	\$2,405
In Table II.—				
For revenue deductions	18,255	12,927	1,918	3,410
Total revenue	\$30,268	\$21,602	\$2,851	\$5,815
Deduct merchandise sales	616	438	55	123
(a) Revenue required from gas sales	\$29,652	\$21,164	\$2,796	\$5,692
(b) Actual revenue received 1917 (apportion- ment estimated)	28,355	21,915	2,220	4,220
Differences: Loss	\$1,297	.....	\$576	\$1,472
Profit .....	.....	\$751	.....	.....

	Company Total.	Metered Customers.	Street Lamps.	Tuckerton Gas Company.
Ref. Ann.				
Rep., p. 22. Sales of gas in M. cu. ft. .	\$23,273.4	\$16,116.6	\$1,881.6	\$5,275.2
Required revenue per M.				
cu. ft. (a)	1.274	1.313	1.485	1.079
Actual revenue per M. cu.				
ft. (b)	1.22	1.36	1.18	0.80

Ocean County Gas Co.—Readiness-to-Serve Charge.

Allocation of Revenue Required on the "Excess" Theory.

The total amount of gas sold by the Ocean County Gas Company during the year 1917 was 23,273,400 cubic feet, of which Tuckerton bought 5,275,200 cubic feet. It is very evident that, if the Tuckerton Gas Company had not taken the amount of gas as stated, the costs for superintendence of plant, a portion of the labor and some of the other items for the production of gas as well as general items would still have been incurred, to be borne by a consumption of 23% less, so that all the costs of the company would have been larger *per thousand cubic feet* than they actually were *per thousand cubic feet* under the conditions actually existing in 1917. It is reasonable, therefore, on this theory that approximately one-half of the \$1,472 apparent loss on the proportional theory should be transferred to the customers of the Ocean County Gas Company. This would indicate that the return from the metered customers of the Ocean County Gas Company was such as to return for 1917 slightly in excess of 6%, whereas the costs for the street lamp service would amount to about \$1.50. This adjustment indicates that the Ocean County Gas Company should have charged the Tuckerton Gas Company during 1917 approximately \$0.94 for its gas in order to earn a 6% return on its property; that the revenue of \$21,915 from its metered customers was sufficient to return 6% on capital used and useful in rendering service to such customers, whereas the losses on street lamps was in excess of 30 cents per thousand cubic feet of gas so sold.

Revenue Required for Probable Increased Costs in 1918 over 1917.

The evidence submitted by the company in this case indicates clearly that the increases for 1918 as compared with 1917 are occasioned by increases in the market costs of fuel and oil. Statistics for the years 1915, 1916 and 1917, for this company, and the

Ocean County Gas Co.—Readiness-to-Serve Charge.

Board's estimate for these materials for the year 1918, have been computed. These show that the consumption of anthracite coal by the company in 1917 was in excess of its average for the preceding two years and also in excess of what good gas-making practice would indicate to be necessary to produce the gas. Instead of the 630 tons used by the company in 1917, we will, therefore, assume a consumption of 581.8 tons to generate the same amount of gas as shown for 1917. The amount of oil for 1917 likewise increased from 3.75 gallons shown for 1915 and 1916, to 4.11 gallons for 1917. We will, therefore, assume the average of the preceding two years and adopt the figure of 90,000 gallons as the consumption of oil required to produce the quantity of gas sold in 1917.

Table IV shows that the increase of 1918 costs over 1917, per thousand cubic feet of gas sold, for anthracite coal would be 4.15 cents; for bituminous coal, 1.67 cents; for gas oil, 7.41 cents; a total of 13.23 cents.

TABLE IV.

INCREASES IN 1918 OVER 1917.

	1917	1918	Increase
Anthracite Coal	17.47c.	21.62c.	4.15c.
Bituminous Coal	9.55c.	11.22c.	1.67c.
Gas Oil	19.66c.	27.07c.	7.41c.
Totals	46.68c.	59.91c.	13.23c.

23,273 @ 13.23c. indicates increase of \$3,079.

Ocean County Gas Co.—Readiness-to-Serve Charge.

TABLE V.

REVENUE REQUIRED FOR 1918 ON BASIS OF INCREASED COSTS ABOVE SHOWN ON
SALES OF 23,273 M. CUBIC FT.

Items.	Company Total.	Metered Customers.	Street Lamps.	Tuckerton Gas Company.
(1) Required revenue from gas sales shown on Table III.	\$29,652	\$21,164	\$2,796	\$5,692
(2) Transferred on "excess" theory		651	85	736
(3) Reappointment for 1917 on basis of "ex- cess" theory	29,652	21,815	2,881	4,956
(4) Increase due in prices in 1918, 13.23c. per M. cu. ft.—Table IV.....	3,079	2,132	249	698
(5) Total revenue required for 1918	32,731	23,947	3,130	5,654
(6) Deduct revenue to be derived from fixed service charge	4,200	4,200	.....	.....
(7) Revenue proportional to use of gas	28,531	19,747	3,130	5,654
(8) Revenue remaining to be derived for 1,000 cu. ft. sold in addition to service charge	1,226	1,225	1,662	1.07
Gas sold in 1917 taken as basis	23,273	16,116	1,882	5,275

In Table V the item of \$736 is transferred from the Tuckerton Gas Company and re-allocated to the Ocean County Gas Company in accordance with what has been indicated above and added to the revenue required from gas sales as shown in Table III. To the totals thus arrived at are added the increases due to prices expected to prevail in 1918, totaling \$3,079, and allocated to classes of service. Line 5 shows the total revenue required from gas sales during 1918 on the basis of the 1917 consumption, allocated to classes. In line 6 the amount of revenue to be derived from the proposed fixed service charge is deducted, and line 7 will show the amount which is to be derived from the actual consumption of gas, and line 8 indicates the same amount per thousand cubic feet of gas sold. This would indicate that the cost of gas to the Tuckerton Gas Company for the year 1918 will be approximately \$1.05. If a sum less than the amount indicated is charged for sales made to the Tuckerton Gas Company, loss from the return of 6%, assumed in these tables, should be borne by the

Ocean County Gas Co.—Readiness-to-Serve Charge.

company, owing to its not charging the equitable price. With respect to its own metered customers, the indicated revenue required is \$1.225. It is within the knowledge of the Board, however, that some of the costs shown in the exhibits of the company have increased slightly, so that it would be reasonable to take the even figure of \$1.25 per thousand cubic feet for the amount of gas actually shown to be used by the meters.

It is apparent from the foregoing analysis that, while increases in cost must be met by the company, they are not so great as indicated by the company's petition nor is it reasonable that all of the increases should be imposed on the one class of customers as is sought to be done by the company. The actual *net* increase in revenue herein allowed to be derived from the metered customers of the petitioner, over and above its 1917 revenue from meters, is \$1,381. This increase seems to be justified by the increase in the cost of gas-making materials, as revealed by the record in this case, and from the Board's knowledge of market conditions, as revealed in the many cases heard by it.

As to whether an increase with respect to metered customers shall be in the form of an addition to the rate per thousand cubic feet of gas or shall be added as a fixed service charge with an adjustment of the metered rate, the Board has heretofore, notably, with respect to the New Jersey Northern Gas Company and the New Jersey Gas Company, approved the collection of a service charge. Such a charge is reasonable, because for each customer served by the company particular expenses are incurred. For each such customer the company must provide a meter and maintain it against ordinary wear. It must read the meter, keep an account of the readings and make out and render bills to the customer. These expenses and the cost of supplying and maintaining any other of the company's property at the premises of the customer are individual and must be incurred without regard to the amount of gas actually used. They differ from the costs due to the purchase of materials used at the plant, the employment of labor in manufacture and the charges which accrue from capital investment in plant and mains and the provision of funds for general maintenance. The Board has fixed a monthly charge of 25 cents to meet the costs, which are individual in nature. It believes

Ocean County Gas Co.—Readiness-to-Serve Charge

that such a charge, commonly called a "fixed service charge," would be reasonable in the present case, in which the facts are such as to permit the costs to be segregated so as to include the fixed service charge and the readjustment of the rate to conform thereto.

The Board therefore finds and concludes as follows:

1. All metered domestic customers may be charged a monthly "Fixed Service Charge" of 25 cents without gas.

2. The rate for gas consumed may be \$1.35 gross per thousand cubic feet, less 10 cents a thousand cubic feet for prompt payment in ten days after rendering bill (instead of \$1.50 per thousand cubic feet, less 10% discount for prompt payment as at present).

3. The rate to the Tuckerton Gas Company should be \$1.05 per thousand cubic feet sold in order to afford a fair return, and any loss by reason of sales at a price less than that amount should be borne by the stockholders, and not by the other classes of customers.

4. These rates may be effective for sales made on and after June 1st, 1918.

5. Acceptance by the company of the increases herein allowed will be taken as a stipulation that abrogation or modification of the war surcharge may be made as and if conditions as indicated by operating results warrant.

6. Beginning at the effective date of said schedule of rates, the company is to render reports monthly to the Board showing the Operating Revenues, Operating Deductions excluding General Amortization, Non-Operating Income, Income Deductions and balance available for Amortization, Dividends and Surplus and amount appropriated for General Amortization for each succeeding calendar month, with comparison with the figures for the corresponding month of 1917, and the Board will retain jurisdiction of the emergency or war surcharge as here approved, for the purpose of modifying or abrogating them as and if the conditions change.

Dated May 23d, 1918.

New York Telephone Co.—Investigation of Rates.

No. 561.

IN THE MATTER OF THE INVESTIGATION OF THE RATES OF THE
NEW YORK TELEPHONE COMPANY.

1. A telephone company, ordered to file schedules reducing rates, is permitted to make effective schedules submitted by it which examination shows will effect material reductions, equalize charges and be otherwise advantageous to the public though apparently not resulting in a reduction to the full amount ordered.

2. In permitting the schedules to become effective the condition is imposed that monthly statements be filed showing revenues and expenses and deductions, with comparable reports for the same months of the preceding year.

3. If it reasonably appears that the new schedules do not in effect meet the order of the Board a further reduction will be required.

The New York Telephone Company has filed with this Board a new toll tariff, by which it proposes to meet the requirements of the order made by the Board in the proceedings investigating the reasonableness of the existing rates of the said company. This order required it to file a rate schedule which would effect an annual reduction of not less than \$800,000.

The schedules filed confine the reduction to toll tariffs. We are of the opinion that the reduction should first be made from these tariffs for the reasons that many irregularities are present in the existing toll charges between points in northern New Jersey, and between points in northern New Jersey and New York City.

The company, by its new schedule, proposes to put into effect a standard schedule of charges for toll service, the rates being based on air-line mileage between rate centers, built upon the following schedule of charges:

New York Telephone Co.—Investigation of Rates.

Air-Line Mileage Between Rate Centers	Subscriber Toll Rates	
	Particular Person	2-Number
0— 8	Not offered	5c.—5 minutes
8— 16	Not offered	10c.—5 minutes
16— 24	Not offered	15c.—5 minutes
24— 32	Not offered	20c.—5 minutes
32— 40	Not offered	25c.—5 minutes
40— 48	Not offered	25c.—3 minutes
48— 56	40c.—3 minutes	30c.—3 minutes
56— 64	45c.—3 minutes	35c.—3 minutes
64— 72	50c.—3 minutes	40c.—3 minutes
72— 80	55c.—3 minutes	40c.—3 minutes
80— 88	60c.—3 minutes	45c.—3 minutes
88— 96	65c.—3 minutes	50c.—3 minutes
96—104	70c.—3 minutes	55c.—3 minutes
104—112	75c.—3 minutes	60c.—3 minutes
112—120	80c.—3 minutes	Not offered

For each additional 8 miles (above 120) 5 cents additional for particular person calls (no two-number rate to be quoted.)

This schedule applies to toll calls from subscriber stations. For toll calls made from public pay stations 5 cents additional is to be charged, as is done under the present tariff.

By the adoption of this standard system the company proposes to eliminate the irregularities in toll charges in the territory served by it, as they now exist, as well as reduce the total revenue of the company to the required extent. Rates will thus be reduced between many of the points in northern New Jersey, and particularly between points in northern New Jersey and New York City. The latter traffic constitutes a very much greater percentage of the total traffic than the former. There will, however, be some instances where the present rates between points in northern New Jersey will be advanced to conform to the standard thus established, but these cases are very few in number and are for points between which there is relatively little telephone communication. There are also other instances where the rate, which is at present in effect, will not be changed, as the rate already conforms to the proposed standard.

The company estimates its loss in revenue for the year July 1st, 1918, to June 30th, 1919, if the proposed rates are put into effect on July 1st, 1918, will approximate \$833,000, of which \$188,000

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will be on traffic between New Jersey points and \$645,000 on traffic between points in New Jersey and New York City. It also points out that there will be an additional loss of revenue to the company as a whole, but not affecting the revenue allocated to the New Jersey portion of its property, in that the revenues allocated to the Manhattan division on calls between New York City and New Jersey points will also be reduced by the change of rates, uniform in either direction.

The methods used by the company for making the estimates of the reduction in revenue to be expected from the introduction of the proposed schedule of toll rates and the data used as a basis, were examined, checked and analyzed by experts employed by the Board. While no complete check of the company's tabulation of the traffic records nor of the calculation of the change of revenue due to the change of initial period rates was made, a sufficient number of the tabulations and estimates were checked to test their accuracy. In the same way complete measurements from rate center to rate center to establish the toll rates, which should apply under the proposed schedule, were not made, but a number were checked to test their accuracy. The method used by the company for making the estimates of the reduction in revenue to be expected from the operation of the proposed schedule was found to be reasonable and probably the best that could be used with the data available as a basis, and the measurements of distances to be applied in fixing the new rates were likewise found to be reasonably accurate.

While adopting the general plan of estimating the loss of revenue to be expected, used by the company, the Board's experts do not accept the detailed figures and percentages used in making the estimate. According to estimates made by them, the reduction of revenue which may be expected from the operation of the proposed toll schedule will not equal \$800,000. It should also be noted that the estimates of the company are calculated upon the anticipated revenue for the year July 1st, 1918, to June 30th, 1919, whereas the reduction required by our order was calculated upon the revenue of the fiscal year of the company of 1916. It would be reasonable to expect, from the experiences of the company in the past, that the revenues from toll business of the com-

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pany will increase from year to year. The reduction which the operation of the proposed schedule would effect as applied to the revenues of 1916 as required by the Board's order, would become greater and greater in amount each year as the revenues from the toll business increase. It would thus appear that the reduction actually effected by the new schedule will not equal the reduction ordered by the Board.

The proposed schedule, however, has the advantage of putting all toll service in northern New Jersey and between points in northern New Jersey and New York City on a standard basis, based on the air-line distance between the points. The proposed schedule also indicates a considerable reduction in revenue.

The company also points out that there will be a further saving to many of the subscribers, over and above the saving due to the reduction of the toll charges themselves, owing to the fact that a large number of toll rates, especially between New York City and points in northern New Jersey, which are now 15 cents or more, will be reduced below 15 cents, and the subscriber will, therefore, not be required to pay the war tax levied on all toll charges of 15 cents or more.

We have already referred to the fact that a large part of the estimated reduction of revenue comes on traffic between New Jersey and New York City. This is due to the fact that a very large proportion of the total toll traffic originating in northern New Jersey consists of calls to New York City. This is clearly shown by the traffic records which we have examined. A very considerable proportion of the revenues of the New York Telephone Company in the State of New Jersey is derived from toll business. For the year 1917 the toll revenues constituted approximately 43.5% of the total operating revenues of the New Jersey division. This indicates that the subscribers as a whole are relatively large users of toll service, and the traffic records indicate that a large proportion of this service is between New Jersey points and New York City. As these are the rates most generally affected by the proposed changes in toll rates, it seems probable that a large proportion of the company's subscribers will enjoy some benefit from the reduction.

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The proposed schedule will afford considerable reduction as soon as it is put in effect and, while this reduction does not appear to us to fully satisfy the order of the Board, the reduction to be gained immediately is desirable. Were the proposed schedule rejected by the Board, a considerable lapse of time would necessarily ensue, during which it might be necessary to hold extended hearings, conferences and investigations. This would further delay the introduction of the new rates and in the meantime the subscribers would continue to pay the existing rates and the company would continue to receive an excess revenue. We, therefore, conclude that it is advisable to permit the company to put the proposed toll rates into effect as soon as possible, not later than July 1st, 1918.

The effect of the new schedules can be scrutinized by the Board to ascertain how far it operates to meet the requirements of the Board's order. In permitting the company to put the proposed schedule in effect, we do so on condition that the company file with the Board monthly statements showing the total revenues of the company, and particularly the toll revenue derived from the new rate schedule, together with the corresponding operating expenses and revenue deductions. These reports shall be in the standard American Telephone and Telegraph Company form. These reports shall be filed with the Commission beginning August 1st and for the purpose of aiding the Board in its comparison, the company shall also file with each current report a comparable report for the same month of the preceding year.

If it shall reasonably appear to the Board from these reports that the schedule does not in effect meet the requirements of the Board, such further reduction as may be necessary to fully meet the order of the Board will be required.

Dated May 28th, 1918.

Standard Gas Company—Readiness-to-Serve Charge.

No. 562.

STANDARD GAS COMPANY, IN THE MATTER OF PROPOSED READINESS-TO-SERVE CHARGE.

1. In fixing a base upon which a gas company is entitled to a return of six per cent. under emergency conditions the book value of fixed capital is decreased by the average book amount for the reserve set up for accrued depreciation. From this is deducted the value of the property which has become obsolete because of a merger. An allowance is made for the purpose of writing off during a period of ten years obsolete property which has not been recouped out of past revenue.

2. The company has meters ranging in size from three light to 150 light, and asks for a uniform yearly charge of \$3.00 or a monthly charge of 25c. from each. This charge appears to be inequitable between small and large customers. A charge is fixed for each connected customer served through a three or five light meter of 25c. a month or \$3.00 a year without gas. For customers served through larger sized meters, this charge to be increased by an amount equal to one cent per month or twelve cents per year for each increase of one light in the capacity of the meter above the five-light capacity.

3. The heating quality of gas is more important than candle power for the great majority of users.

4. It is not reasonable to tax this majority to maintain a more expensive candle power standard for the sake of those using inefficient flat flame burners, which per candle power require the consumption of about three times as much gas as a modern incandescent mantle lamp.

William E. Foster, for the petitioner.

Arthur S. Van Buskirk, for Borough of Keyport, Borough of Matawan, Township of Middletown.

G. E. Jenkinson, for Borough of Highlands.

Arthur S. Van Buskirk and *F. E. Anderson*, for Town of Freehold.

On January 31st, 1918, the Standard Gas Company submitted a petition, reciting, among other things, the following:

Standard Gas Company—Readiness-to-Serve Charge.

“That the large increase in cost of manufacture and distribution of gas is due to conditions over which the company have no control, which are the results of abnormal demands brought about by the great Inter-National Strife.

“That the deficit in net revenue due solely to these abnormal conditions for the year 1917 over 1916 is \$10,541.16.

“That your petitioner has in effect no ‘Readiness-to-Serve’ charge.

“That during the continuance of the abnormal conditions above set forth, your petitioner is entitled to such increases in net revenue as would fairly represent the increase in cost of manufacture and distribution caused thereby.

“Your petitioner therefore prays that a ‘Readiness-to-Serve’ charge of 25 cents per month or \$3 per year per customer shall be added to the rates now charged by your petitioner.”

The matter was heard by the Board on February 26th, March 6th and 12th. On March 6th the petitioner amended its petition by the addition of the words “and your petitioner will pray for such other and further relief as to the Commission will seem proper in the premises.”

The present rates set forth in the 1917 annual report of the petitioner to the Board are as follows:

\$1.50 per thousand with 10 cents per thousand discount, if paid by the 15th of the month; 10,000 cubic feet or over per month, 50 cents per thousand discount.

The rates actually filed with the Board, effective as of March 16th, 1916, are as follows:

The general lighting rates in territory other than Freehold provide for a gross rate of \$1.50 per thousand cubic feet per month, less 10 cents discount if paid on or before the 15th of the month.

The rates for Freehold provide for a price for all gas consumed up to 5,000 cubic feet in the month, \$1.60 per thousand, and for all gas consumed in excess of 5,000 cubic feet in the month, \$1.20 per thousand cubic feet, with a discount of 10% on the above gross rates if paid on or before the 15th of the month.

Standard Gas Company—Readiness-to-Serve Charge.

In addition to the above rates, there is a third set of rates for industrial fuel and power as follows:

First	20,000 cubic feet per month.....	\$1.10 per month
Next	20,000 cubic feet per month.....	1.00 per month
Next	10,000 cubic feet per month.....	.90 per month
Next	25,000 cubic feet per month.....	.80 per month
Next	25,000 cubic feet per month.....	.70 per month
Over	100,000 cubic feet per month.....	.65 per month

Less 10 cents a thousand if paid before the 15th of the month.

It will be seen by consideration of the quoted schedules of rates that the rate schedules of the Standard Gas Company need revision, even though there were no emergency application, as they are not uniform to all customers using the same quantities of gas, nor uniform throughout the territory served.

In the preparation of its proofs, the company has assumed that the net revenue earned on its property devoted to the public use for the year 1916 provided a fair return on such capital. In order to test the merits of this assumption, it is necessary to ascertain what basis of value shall be taken for the purpose of this report.

CAPITAL, USED AND USEFUL, AS OF JUNE 30TH, 1917.

As sufficient data is now in the possession of the Board, either in its appraisal files or in the annual reports of the company, we will make the test as regards 1917 operations, they being more recent than those of 1916.

The value new of tangible property, less property no longer used and useful by reason of the mergers of 1913 and 1916, is taken as	\$600.900
Net additions from May 31, 1916, to June 30, 1917.....	21,173
Value new, tangible property as of June 30, 1917.....	\$622,073
Add for organization, etc.....	25,000
Total fixed capital as of June 30, 1917.....	\$647,073
Add for working capital, the average calculated from the book accounts, for 1917.....	32,747
Basis for rates, year 1917.....	\$679,820
Taken as	\$680,000

Standard Gas Company—Readiness-to-Serve Charge.

This amount will correspond very closely to that arrived at as follows: Take the *average* book value of fixed capital for 1917, as shown by the annual report, decreased by the average book amount for the reserve set up for accrued depreciation and deduct from the remainder the value of property which has become obsolete by reason of the merger. The amount so obtained, increased by the working capital, will differ by a little over 1% from the amount of \$680,000 as above taken.

Assuming 6% on \$680,000 gives \$40,800 for use of property during 1917, to which the addition of the operating expenses, taxes and uncollectibles, amounting to \$79,161, indicates a gross revenue of \$119,961 required for the year 1917.

INCREASES IN 1918 OVER 1917.

In the above figure of \$79,661, however, is included an appropriation of but \$4,530 to cover amortization of capital. This is less than a conservative management would set up. Moreover, the obsolete property of \$56,000 deducted in arriving at the above rate base does not appear to have been recouped to the company out of revenue, and should be written off during a period of about ten years. Times of stress, however, are not propitious for increasing reserves unduly. As it is proper for this company to provide for at least one-half the amount of its annual accruing depreciation, we will add \$5,500 to the operating expenses (and to the \$4,530 accrued amortization set up in the operating expenses for 1917 by the company) for the purpose of writing off the obsolete property eliminated in this report. If the petitioner acts in accordance with the findings herein, this \$5,500 is to be used for this purpose and no other.

The company, in Exhibit P-2, estimates that the costs of fuel and oil in 1918 will increase \$17,528 as compared with 1917. As of January, 1918, the company estimated that the price of oil on and after July 1st, 1918, would be 7 cents a gallon. The present indications are that the price will be about 8.4 cents. On the basis of 4.4 gallons per thousand cubic feet sold (see 1915 annual report of the company) this would increase the \$17,528 to \$19,341

Standard Gas Company—Readiness-to-Serve Charge.

for fuel and oil. Adding this amount to the \$5,500 gives a total indicated increase of \$24,841, which, added to the \$119,961 shown to be required in 1917, gives the total of \$144,802 required for 1918 revenue; deducting sundry sales, other than gas, on the basis of 1917 sales, leaves \$142,651 to be derived from sales of gas. As 94.66% of such sales in 1917 was delivered through meters, this gives a revenue of \$135,034 for 1918 metered consumption; this is an *average* of \$1.47 per thousand cubic feet sold, both wholesale and retail. This will be augmented somewhat by reason of the franchise tax increase. The corresponding *average* revenue for 1917 was \$1.36 on a base rate of \$1.40. If, however, a service charge of \$3 a year, estimated to produce \$20,100, is to be made, this should be deducted from the \$135,034, leaving \$114,930 to be obtained from the sale of gas only. This indicates an *average price for gas only* of \$1.25, or a base net rate of \$1.30 on the basis of 1917 consumption by classes. Of course it is understood that the rate so derived is to be uniform throughout the territory served, Freehold included.

(a) GRADUATED SERVICE CHARGE.

(In addition to charge for gas consumed.)

Inasmuch as the company has meters ranging in size from 3-light to 150-light, and asks for a uniform yearly charge of \$3 or a monthly charge of 25 cents from each, regardless of size, the proposed charge seems to be inequitable as between small and large customers. A more correctly derived charge would appear to be as follows:

For 3-light and 5-light meters, a yearly charge of \$3.

For each 1-light increase in capacity above 5-light, add \$0.12.

This would give, for the 150-light meter, a yearly charge of \$20.40.

(b) UNIFORM SCHEDULE OF RATES TO BE CHARGED IN PROPORTION
TO CONSUMPTION.

As has been indicated above, the company appears to have several schedules in force, one at least on the inequitable "step" form of rate, notably that shown in the annual report to this Board.

Standard Gas Company—Readiness-to-Serve Charge.

This provides, after deducting discount, a rate of \$1.40 up to 10,000 cubic feet, and a rate of \$1 for a consumption of 10,000 cubic feet or over. According to this rate schedule, if a customer should use 9,000 cubic feet in a month, he would be billed (using net rates) \$12.60; if he wasted 1,000 cubic feet more gas he would be billed only \$10. On a block rate, however, every customer pays the same rate for the first block, a lower rate for any second block used, and so on up to the block reached by his consumption, thus automatically affording a decreasing average rate based on consumption. After considerable study, with only partial data as to metered consumption, the Board is of the opinion that the following schedule of block rates, gross and net, will be fair to all customers, for gas used only, and in addition to a fixed service charge, viz.:

For the first	5,000 cubic feet per month.....	\$1.35 gross
For the next	5,000 cubic feet per month.....	1.15 gross
For the next	20,000 cubic feet per month.....	1.05 gross
For the next	20,000 cubic feet per month.....	.95 gross
For the next	25,000 cubic feet per month.....	.85 gross
For the next	25,000 cubic feet per month.....	.80 gross
Excess over	100,000 cubic feet per month.....	.75 gross

Less a discount, for payment on or before the 15th of each month, of 5 cents per thousand cubic feet. No gas to be sold at a rate which will average less than 80 cents per thousand cubic feet.

This schedule makes the following average rate for each indicated amount of gas used per month, using *net* figures:

5,000 cubic feet per month for gas only, average rate of.....	\$1.30
10,000 cubic feet per month for gas only, average rate of.....	1.20
30,000 cubic feet per month for gas only, average rate of.....	1.067
50,000 cubic feet per month for gas only, average rate of.....	1.00
75,000 cubic feet per month for gas only, average rate of.....	0.933
100,000 cubic feet per month for gas only, average rate of.....	0.883

To which is to be added a fixed service charge for the meter required. No gas to be sold for a rate which will average less than 80 cents per thousand cubic feet, net.

If this schedule of block rates shall prove, after sufficient trial, to work injustice to either company or customer, the Board, on proper application, will re-open the proceedings for further re-adjustment of rates.

Standard Gas Company—Readiness-to-Serve Charge.

OBJECTIONS BY COUNSEL FOR FREEHOLD.

Counsel for Freehold contended that the Standard Gas Company “deliberately reached out for and absorbed the Freehold Gas Company, which had been for a matter of sixty years rendering efficient and satisfactory service to its consumers at a profit which constituted but a fair return upon a small capital, considering its small output. It charged \$1.44 per thousand net for coal gas of a high quality, both in its heating and its lighting property. This price was necessary because of the considerations above mentioned and was, therefore, satisfactory.”

The Freehold rate filed with the Board, effective as of March 16th, 1916, provides a rate of \$1.60 for the first 5,000 cubic feet of gas used in a month and of \$1.20 for the next 5,000 cubic feet so used, with a discount of 10% for prompt payment. This makes the net rates \$1.44 and \$1.08 respectively. For a consumption of less than 5,625 feet Freehold is prejudiced by the rate; for a consumption exceeding 5,625 feet a month Freehold is favored. The bill is the same for either rate on a consumption of 5,625 cubic feet a month. As to the company serving gas at proper pressures, it is sufficient to remark that the company must furnish safe, adequate and proper service in Freehold and elsewhere at all times.

As to the quality of the gas, this Board has prescribed standards of quality of gas, whether coal gas, water gas, acetylene gas; the standard is prescribed in Rule IX of the Board's order of October 17th, 1911, and reads as follows:

“The company furnishing gas which, within a one-mile radius from the distribution center, gives a monthly average total *heating* value of not less than 600 B. t. u.,” (that is, British thermal units) “with a minimum which shall never fall below 550 B. t. u., may be considered as giving adequate service as far as the heating value of the gas is concerned.”

Standard Gas Company—Readiness-to-Serve Charge.

This standard is based on heat units and not on candle-power. The heating quality of the gas is more important than candle-power to the great majority of users. It is not reasonable, therefore, to tax this majority to maintain a more expensive candle-power standard for the sake of those using inefficient flat flame burners which per candle-power require the consumption of about three times as much gas as a modern incandescent mantle lamp. So far as actual tests made by the Board's inspector with a calorimeter reveals, the gas furnished by the Standard Gas Company complies with this rule. There have been inequalities in pressure of gas served and these should be corrected. These, however, must have existed with the service of the Freehold Gas Company, as the Standard Gas Company has been compelled to reinforce the low pressure mains of the former company by a belt system of high-pressure mains feeding into the dead ends of the Freehold system.

As pertinent to the questions whether the merger of the Freehold Gas Company with the Standard Gas Company has been detrimental to the interests of the citizens of Freehold, and whether the Freehold Gas Light Company, if still existent, could have continued to furnish gas at the rates now in force, without the necessity of increasing same owing to war conditions, the following comparative statement of operating expenses per thousand cubic feet of gas sold is given. The operating expenses of the Freehold Gas Light Company for 1915, the last year operated as an independent company, and the operating expenses of the Standard Gas Company for 1915, 1916 and 1917 are shown in the following table:

Standard Gas Company—Readiness-to-Serve Charge.

OPERATING EXPENSES AND REVENUE DEDUCTIONS

1915 FOR STANDARD AND FREEHOLD GAS COMPANIES SEPARATE.

1916 FOR STANDARD AND FREEHOLD GAS COMPANIES MERGED.

1917 FOR STANDARD GAS COMPANY.

(per thousand cubic feet sold)

	Freehold Gas Co. 1915.	— Standard Gas Company — Separate 1915.	As merged 1916.	1917.
I. Production Expense	\$0.6691*	\$0.3526	\$0.3618	\$0.4473
II. Transmission and Distribution...	0.0828	0.0474	0.0566	0.0623
III. Municipal Street Lighting.....	0.1198	0.0189	0.0386	0.0260
IV. Commercial	0.0207	0.0549	0.0549	0.0541
V. New Business		0.0276	0.0268	0.0261
VI. General	0.1792	0.1211	0.1419	0.1370
Total Operating Expense	\$1.0716	\$0.6225	\$0.6761	\$0.7518
Taxes	0.0508	0.0487	0.0600	0.0579
Uncollectible Bills	0.0053	0.0023	0.0052	0.0069
Total Deductions	\$1.1277	\$0.6735	\$0.7313	\$0.8166

For 1915 the table shows that the total revenue deductions were, for the Freehold Gas Light Company, \$1.1277 per thousand cubic feet of gas sold, and for the Standard Gas Company, for the same items, \$0.6735, a difference of 45.42 cents in favor of the Standard Gas Company. The Freehold Gas Light Company sold 15,310,500 cubic feet of gas during 1915. This indicates that the cost to the company of those sales was \$6,954 in excess of the cost to the Standard Gas Company on the same sales. This clearly shows that the Freehold Gas Light Company would have had to apply to this Board for emergency relief at a much earlier date than the Standard Gas Company, or would have been unable to continue rendering the service required of it by law.

The Board therefore finds and concludes:

1. That the approval of the Board to the petition in the form submitted is denied, but with permission to file a schedule of rates as follows, effective from June 1st, 1918.

*Omits cost of residuals sold, 8.13 cents.

Standard Gas Company—Readiness-to-Serve Charge.

(a) GRADUATED SERVICE CHARGE.
(Without any gas.)

For each connected customer served through a three or five-light meter, the company may charge 25 cents a month or \$3 a year as a fixed service charge without gas. For customers served through larger sized meters, this fixed service charge should be increased by an amount equal to 1 cent per month or 12 cents per year for each increase of one light in the capacity of the meter above the said five-light capacity.

(b) UNIFORM SCHEDULE OF RATES TO BE CHARGED IN PROPORTION TO CONSUMPTION.

(and in addition to the fixed service charge shown in (a) above)

For the first	5,000 cubic feet consumed per month.....	\$1.35 gross
For the next	5,000 cubic feet consumed per month.....	1.15 gross
For the next	20,000 cubic feet consumed per month.....	1.05 gross
For the next	20,000 cubic feet consumed per month.....	.95 gross
For the next	25,000 cubic feet consumed per month.....	.85 gross
For the next	25,000 cubic feet consumed per month.....	.80 gross
Excess over	100,000 cubic feet consumed per month.....	.75 gross

Less a discount of five cents per thousand cubic feet on each bill if paid within ten days after it is rendered to the customer.

No gas is to be sold under this schedule at a rate which will average less than eighty cents net per thousand cubic feet.

2. Acceptance by the company of the increases herein allowed will be taken as a stipulation that abrogation or modification of the war surcharge may be made as and if conditions as indicated by operating results warrant.

3. Beginning at the effective date of said schedule of rates, the company is to render reports monthly to the Board showing the Operating Revenues, Operating Deductions excluding General Amortization, Non-Operating Income, Income Deductions and balance available for Amortization, Dividends and Surplus and amount appropriated for General Amortization for each succeeding calendar month, with comparison with the figures for the corresponding month of 1917; and the Board will retain jurisdiction of the emergency or war surcharge as herein approved, for the purpose of modifying or abrogating them as and if the conditions change.

Dated May 28th, 1918.

Warren Wood Working Company, Inc.—Increase in Rates.

No. 563.

**IN THE MATTER OF THE APPLICATION OF THE WARREN WOOD
WORKING COMPANY, INCORPORATED, FOR INCREASE IN
RATES FOR ELECTRIC CURRENT.**

1. An electric utility needing additional revenue to meet increased costs of operation should not attempt to obtain the same by increasing rates to metered customers only when it supplies service also upon flat rates.

2. A war surcharge of one cent per kilowatt hour is allowed to be added to light and power, other than municipal bills, and a war surcharge of twenty per cent. is allowed to be added to flat rates.

J. H. Dahlke, for petitioner.

On March 9th, 1918, the Warren Wood Working Company, Incorporated, filed a petition with this Board asking for approval of a schedule of increased rates for electric current. While the petition itself did not set forth that it was filed as an emergency application, at the hearing of the matter on March 26th, the company assented to its being so considered.

The new schedule of rates which the company proposed to make effective as of April 1st, 1918, is as follows:

"LIGHT

For first 50 kw. hr. 14c., less 1c. for payment in 10 days.

For next 50 kw. hr. 13c., less 1c. for payment in 10 days.

For all above, 100 kw. hr. 11c., less 1c. for payment in 10 days.

Minimum charge, \$1.00 per month.

"POWER

For first 10 kw. hr. per h. p. of installation 12c., less 1c. for payment in 10 days.

For next 50 kw. hr. of total monthly consumption 6c., less 1c. for payment in 10 days.

For next 500 kw. hr. of total monthly consumption 6c., less 1c. for payment in 10 days.

For next 500 kw. hr. of total monthly consumption 4c., less 1c. for payment in 10 days.

All of balance of total monthly consumption 3c., less 1c. for payment in 10 days.

"FLAT RATE

25 per cent. advance over present schedule.

"STREET LIGHTING

Same as present schedule."

Warren Wood Working Company, Inc.—Increase in Rates.

The existing schedule of rates is as follows:

"LIGHT

Per kw. hr. 10c.; minimum charge \$1.00.

"POWER

For first 10 kw. hr. per h. p. of installation 10c.

For next 50 kw. hr. of total monthly consumption 6c. per kw. hr.

For next 500 kw. hr. of total monthly consumption 4c. per kw. hr.

For next 500 kw. hr. of total monthly consumption 3c. per kw. hr.

All of balance of total monthly consumption 2c. per kw. hr.

Minimum of \$1.00 per month per h. p. of installation.

"FLAT RATE

For commercial purposes, less than 3 outlets, 50c. per outlet.

"STREET LIGHTING: Municipal contract

Arc lights \$80.00 per year.

Incandescent 32 candle power \$24.00 per year.

Incandescent 16 candle power \$12.00 per year.

In order to ascertain the merits of this application, a calculation follows showing the income to which the company would appear to be entitled for the year 1917, assuming 6% on capital used and useful; this being the same rate assumed by the company in preparing its proof. According to the annual report of this company, filed for the year 1916, the value new of the electrical construction of outside lines, of electrical apparatus and electrical steam plant was \$20,353.78. This sum apparently includes nothing for real estate. With respect to real estate, the 1915 annual report of the company, page 39, line 16, in answer to the question, "Does the utility own the water-power developments?" states, "Owns one-half." In the testimony, Mr. Frank E. Mercer, general superintendent of the company, witness for the petitioner, testified that the value of the land used and useful in the electrical department was \$5,000, which, added to the figure for the electrical department proper, gives a total value new of \$25,355 for plant and real estate, which includes one-half of the water-power. In the forthcoming annual report for 1917, the statement of Fixed Capital in the electrical department should be amended to include the value of land so testified to.

On December 31st the company had accumulated a reserve for accrued amortization of capital of \$1,806, and during 1917 ap-

Warren Wood Working Company, Inc.—Increase in Rates.

appropriated a further amount of \$1,017.69, so that, as the reserve for 1916 increased by one-third of the amount appropriated, we will assume that the *average* reserve for the year 1917 was \$2,000. This leaves a base for rates of \$23,355, 6% of which is \$1,401. Adding the total operating expenses and taxes for the year 1917, claimed by the company to be \$10,956, indicates that the revenue required in order to earn 6% during 1917 is \$12,357. As the revenue actually received was \$12,473, the company earned, in 1917, \$116 over and above a 6% return.

ADJUSTMENTS TO OPERATING EXPENSES DURING 1917.

Testimony on behalf of the company indicated that the coal consumed for the year 1917 amounted to \$6,304, the average cost of which was \$4 a ton; that \$500 of this amount was allocated to the use of the wood-working department of the petitioner, leaving \$5,804 as used by the electrical department. During the year 1916, however, the cost of coal charged to the electrical department was \$3,128 and to the wood-working department, \$1,050; total, \$4,178; during 1916, then, practically 25% of the cost of coal was allocated to the wood-working department, whereas, during 1917, about 8% was allocated to the wood-working department.

Questioned in regard to this matter, the company's witness, on page 5 of the testimony made the following statement:

"This wood-working plant was the original establishment. In order to use all of our water-power, which belongs really to the wood-working plant" (?) "this electric business was established in 1894 with the idea at first of just using it at night when the water-power was not being used in the manufacture of wood work. Well, our electrical business has grown until now we have to run all the time, day and night and all the time, and at that time our expenses for furnishing that light was quite normal because our load wasn't very high and we could run our works with the water."

Warren Wood Working Company, Inc.—Increase in Rates.

And on page 6:

“No, we feel that this water-power which the wood-working business *gives* to the electric business would almost pay for the coal that the electric business furnishes to the wood-working business.”

Inasmuch as the annual report of the company states that one-half of the water-power belongs to the electrical department, and that the company's exhibit allocates \$5,000 as the value of the real estate, including one-half the water-power owned by the electrical department, it would appear that the witness's statement is at variance with the formal report made to this Board and attested by the company's president and officer in charge of accounts.

It appears to be reasonable to charge the wood-working department with at least the amount of \$1,050 allocated thereto in 1916; coal costing \$1,050 in 1916 would, according to petitioner's testimony, cost 67% more in 1917, or \$1,750; deducting \$700 for decreased activities of the wood-working department would leave the \$1,050 as charged in 1916 and permit the power use in 1917 by that department to have decreased by 40%.

The excess of \$116 earned in 1917, increased by \$550 coal transferred to the wood-working department, makes a total excess profit of \$666 for 1917.

INCREASES FOR 1918.

The proposed schedule of rates would produce the following increase in annual revenue as compared with 1917:

Metered Light and Power (other than municipal)	\$2063
Flat Rate Commercial	100
Total increase	\$2163

The testimony indicates that coal will cost the petitioner during 1918 about 90 cents a ton more than in 1917, which, on the 1917 output, would make same cost about \$1,200 more in 1918. The franchise tax, imposed on the company by law, will be increased about 1%, or \$125, during 1918. With increases in labor and materials for maintenance and repairs, it would appear to be rea-

Warren Wood Working Company, Inc.—Increase in Rates.

sonable to assume that the total increase in expenses for 1918, incident to conditions beyond the petitioner's control, will aggregate \$1,500 to \$1,600. Deducting the excess revenue of \$666, enjoyed in 1917, as shown above, leaves a net increase of about \$1,000 for 1918. As the petitioner, however, in addition to its metered commercial customers, serves flat rate customers and furnishes street lights and power to the municipality, it does not appear reasonable or proper to charge all of this increase to company's metered customers. On the basis of use, so far as may be determined from the incomplete statistics furnished this Board in the petitioner's annual reports, the flat rate and municipal customers take about 20% of the current sold. This would leave about \$800 to be derived from commercial light and power customers who, during 1917, used about 95,000 kilowatt hours of current. All of the increased costs are incident to plant operation, and are therefore properly to be allocated in proportion to kilowatt hours sold. Dividing \$800 by 94,885 gives about 0.85 cents per kilowatt hour. One cent per kilowatt hour, then, may be added as the fair surcharge over and above the existing rate schedule for metered customers other than municipal.

The Board, therefore, finds and concludes:

1. The petition in this matter will be dismissed. The company may file, however, a schedule providing for an emergency surcharge to be added to existing schedules effective as of June 1st, 1918, as follows:

(a) To "*Light*" and "*Power*" (other than municipal) bills a war surcharge of one cent per kilowatt hour of electric current used.

(b) "*Flat Rate.*" A war surcharge of 20% may be added to bills computed in accordance with the existing schedules.

2. Acceptance by the company of the increases herein allowed will be taken as a stipulation that abrogation or modification of the war surcharge may be made as and if conditions as indicated by operating results warrant.

3. Beginning at the effective date of said schedule of rates, the company is to render reports monthly to the Board showing the Operating Revenues, Operating Deductions excluding General Amortization, Non-Operating Income, Income Deductions and

Wildwood Gas Company for Increased Rates.

balance available for Amortization, Dividends and Surplus and amount appropriated for General Amortization for each succeeding calendar month, with comparison with the figures for the corresponding month of 1917; and the Board will retain jurisdiction of the emergency or war surcharge as herein approved, for the purpose of modifying or abrogating them as and if the conditions change.

Dated May 28th, 1918.

No. 564.

IN THE MATTER OF THE APPLICATION OF THE WILDWOOD GAS
COMPANY FOR INCREASED RATES.

1. A gas company is allowed an emergency increase in rates to meet greatly increased costs of operation.
2. The cost of plant necessary to serve customers three-fourths of whom use gas during two or three months only necessitates a high rate.

Theodore J. Grayson, for the petitioner.

W. E. Zeller, for Wildwood Crest.

On March 29th, 1918, the company filed a petition representing, among other things, the following:

“3. Your petitioner, after a careful investigation, considers it absolutely necessary that it be granted an immediate increase in rate from \$1.50 per thousand cubic feet of gas to \$1.80 per thousand cubic feet of gas sold to domestic consumers.”

The company gave notice through the public press of its intention to make application for permission to increase its rates as above recited.

During the hearing of the matter on April 30th, counsel for the petitioner amended this petition (page 13 of testimony) as follows:

Wildwood Gas Company for Increased Rates.

“Then I will amend, if you will allow me to amend at bar, I will amend the petition to make it an emergency application, because it really is that; it is based on war conditions, and never would have been made except for war conditions, and we ask it for the period covered by war conditions.”

Pursuant to a stipulation entered into during the course of the hearing, the petitioner has since furnished information relative to its property which has enabled the Board's engineer to supplement the Board's inventory and appraisal of the plant and property of the petitioner with sufficient accuracy to serve the purposes of this report.

As a basis for rates, it is assumed that 6% on the value of its property, as of June 30th, 1917, will place the company in a financial position to render the service for which it was formed.

The value of the company's property (including working capital of \$12,500, based on pertinent accounts shown in the petitioner's annual reports filed with the Board) is taken at \$336,534, 6% of which is \$20,192. The operating expenses of the company for 1917 were \$34,209. Certain adjustments and additions to this amount are required in order to meet conditions now prevailing with respect to increased costs of materials as compared with 1917. For 1918 the exhibits indicate that boiler fuel will increase \$100, generator fuel will increase \$267, gas oil will increase \$3,619, and franchise taxes will increase \$484; the total of these increases is \$4,470 over the comparable items for 1917. This will make the operating expenses and taxes for 1918, on this basis, \$38,679, which, added to the \$20,192 for use of capital as derived above, indicates a total required revenue of \$58,871. There are a few items in addition to the above, but the miscellaneous revenue from sales other than gas will probably provide for them. As the sales of gas on which this revenue is predicated were 32,886,000 cubic feet, this will require a rate of \$1.80 per thousand cubic feet of gas sold. It may be that the company will fail to receive all of the revenue above indicated, owing to the fact that each increase in the cost per thousand cubic feet will deter a certain number of people from using gas, or will decrease the total amount of gas used by any one customer. This risk the company must assume.

Wildwood Gas Company for Increased Rates.

The cost of plant required to serve customers, three-fourths of whom use gas only two or three months, necessitates a high rate.

The foregoing analysis, coupled with the fact that after paying operating expenses, taxes and interest on borrowed money only, the company had a deficit of \$5,466 on 1917 operations, indicates that prompt relief is necessary.

Counsel for Wildwood Crest made the following plea:

"We would like to have the Commission take into consideration, if the rate is to be advanced, to which I have heard no serious objection on the part of any of our people, but we would like to have an order made that, if the rate is to be increased, better service should be furnished, more efficient service, so that people in getting the gas and paying for it will have something for their money."

It is obviously to the interest of the gas company that it should furnish a sufficient supply of gas, so that customers can at all times secure all the gas required for their needs, with the desirable corollary that the company can increase its sale by supplying such needs; it has, therefore, been agreed by counsel for both sides that they will confer and that the company will arrange to remedy any defect in its system, to the end that safe, adequate and proper service may be rendered by the company, to the mutual advantage of all parties and to meet the requirements of the statute. Consequently, with respect to service, no further action by the Board seems to be required at this time.

The Board finds and concludes:

1. That the petition, as filed and amended during the hearing, be granted, and the rate of \$1.80 per thousand cubic feet therein contained be permitted to go into effect on June 1st, 1918, with the following provisions:

2. Acceptance by the company of the increases herein allowed will be taken as a stipulation that abrogation or modification of the war surcharge may be made as and if conditions as indicated by operating results warrant.

3. Beginning at the effective date of said schedule of rates, the company is to render reports monthly to the Board showing the Operating Revenues, Operating Deductions excluding General Amortization, Non-Operating Income, Income Deductions and

Point Pleasant Beach *vs.* Point Pleasant Water Works Company.

balance available for Amortization, Dividends and Surplus and amount appropriated for General Amortization for each succeeding calendar month, with comparison with the figures for the corresponding month of 1917; and the Board will retain jurisdiction of the emergency or war surcharge as herein approved, for the purpose of modifying or abrogating them as and if the conditions change.

Dated May 28th, 1918.

No. 565.

BOROUGH OF POINT PLEASANT BEACH

VS.

POINT PLEASANT WATER WORKS COMPANY.

Complaint is made of the quality of water supplied by a water company.—HELD, that the water is not suitable for drinking and domestic purposes without being aerated and the standpipe and distribution system kept clean by frequent periodical flushing and cleaning.

Wilfred H. Jayne, for Borough of Point Pleasant Beach.

L. C. Ritchie, for Point Pleasant Water Works Company.

Grover C. Richman, for the Board of Public Utility Commissioners.

Complaint was made by the Borough of Point Pleasant Beach, alleging poor quality, and inadequacy of supply, of water furnished by the Point Pleasant Water Works Company to said borough (the same being based on power given this Board, after hearing, upon notice, by order in writing, to require every public utility "to furnish safe, adequate and proper service, and to keep and

Point Pleasant Beach vs. Point Pleasant Water Works Company.

maintain its property and equipment in such condition as to enable it to do so," pursuant to sub-division b, paragraph 17, of "An Act Concerning Public Utilities," chap. 195, Laws of 1911).

The evidence submitted by the borough was to the effect that the water had an offensive gaseous taste and odor, and that this was due to slight overdraft of the wells and decomposition of organic matter; that iron and organic matter were present in the water and that the analysis showed the presence of fungus orenothrix; that the remedy was by both aeration and filtration, and that the cost of a plant for aeration and filtration would approximate \$15,000. There was also some testimony submitted, touching the question of adequacy of supply. The company claimed that the water is undergoing one of those biological changes frequently observed when water is insufficiently aerated, or the standpipe capacity is too large for the consumption and the water has to remain too long in storage; that the gaseous odor is usually associated with the growth of certain forms of microscopic life, known as algæ, and likely to be prevalent during the winter months; that there is nothing about this condition which is harmful; that the remedy is to aerate the water and not allow it to remain in storage any longer than necessary, and that it may be necessary to flush out the entire system thoroughly in order to eliminate all stagnant water, now impregnated, after the necessary changes are made and the aeration actually accomplished. The company alleged that the water is of a high quality otherwise and is extremely low in iron. It also submitted a plan of aeration to separate the gas from the water, before it enters the distribution system, by pumping the water in a 26-foot elevated pipe in the standpipe, thereby allowing the gas to escape before the water is distributed from the outlet pipe 26 feet below. Plans for this system of aeration were received in evidence. The company claimed that this system had been successfully tried elsewhere, and, if adopted, would solve the difficulty encountered, and would involve an outlay of from \$2,500 to \$3,000. The company estimates the total cost of the plan proposed by the petitioner's expert would involve an expenditure of from \$25,000 to \$30,000.

The petitioner's expert, Mr. J. H. Gregory, contended that the plan suggested by Mr. William H. Boardman, the company's ex-

Point Pleasant Beach *vs.* Point Pleasant Water Works Company.

pert, would not meet the difficulty. It further appeared that the company had already ordered the necessary apparatus suggested by its expert and had made arrangements to install the same. A report, made by one of the Board's inspectors, based on an inspection of April 25th, 1918, and investigation incidental thereto, received in evidence, concludes as follows:

“(a) The character of the water served by the Point Pleasant Water Works Company at Point Pleasant is suitable for drinking and domestic purposes, provided that it be aerated, and that the standpipe and distribution system be kept clean by frequent periodic cleaning and flushing.

“(b) The aerating and filtering equipment advocated by Mr. Gregory, engineer for the borough, is not absolutely necessary or essential, because such aerating equipment is more expensive to install and operate than the one proposed by the company, and would only be needed in case the water was grossly polluted or highly charged with iron. The filtering equipment would help aeration but little, if any, and would only be needed to remove material suspended or coagulated in the water. The analysis shows that the water contains no suspended material to speak of, while the only chance of having coagulated material to remove would be a larger content of iron precipitated by aeration. At present the iron content of the water is negligible as far as filtering it out is concerned.” The inspector recommends that the aerating equipment proposed by William H. Boardman, the company's expert, now in course of construction, be completed and operated as soon as possible. The inspector's report states further that the wells in use at present appear to yield an ample and sufficient quantity of water for the present and immediate future needs of the petitioner, but recommends, in order to insure against any possible overdrafting on account of such contingencies as clogged screens, that as a reserve, two or more additional wells should be installed.

After a careful examination of all the evidence submitted, the Board finds and determines that the water as presently supplied is not suitable for drinking and domestic purposes, without being aerated, and the standpipe and distribution system kept clean by frequent periodical cleaning and flushing; that there is not sufficient evidence to warrant the Board's ordering at this time the

Ocean City Sewer Company—New Schedule of Rates.

installation of the aeration and filtration system recommended by petitioner, but that the aeration system proposed by the company and now ordered and under course of construction should be installed and completed and put in use not later than July 15th, 1918.

It is further determined that in order to ascertain what relief will result from said proposed plan, the cause should be continued until September 10th, 1918, the record in this case to be taken as a part of the record of any future proceedings touching the matters at issue.

The Board further finds and determines, that there is an adequate supply of water at the present time, but RECOMMENDS that the respondent install two or more additional wells to insure against any possible overdrafting of supply—work on the same to be commenced as soon as possible, with a view of having at least one well completed in time for use during the summer.

Dated June 12th, 1918.

No. 566.

OCEAN CITY SEWER COMPANY IN RE NEW SCHEDULE OF RATES.

1. In determining the question of rates to be charged by a sewer company, providing the resulting rates do not exceed the value of the service, reasonable revenue to it should include a fair return on the property devoted to public use; reasonable operating expenses under efficient management, a reasonable provision for accruing depreciation over and above current maintenance, repairs, taxes and uncollectible bills.

2. In determining the tangible fixed capital, a deduction is made of the proceeds of a bond issue on which interest is not to be paid for three years.

3. Where bills are payable yearly in advance and the company has in hand from prepaid rates, the amount of working capital required for the conduct of its business, no allowance should be made for working capital in determining the basis for rates.

4. Six per cent. is allowed as a fair return to provide for interest, bond discount and other similar items and rates are fixed based on this return plus operating deductions.

Ocean City Sewer Company—New Schedule of Rates.

5. Under statutory direction the Board has been authorized to deal with any existing rates and if, after hearing and investigation, it makes the necessary finding to set them aside if unjust, insufficient or discriminatory. No exception is made as to franchise rates.

J. Fithian Tatem, for the Ocean City Sewer Company.

Andrew C. Boswell, for the City of Ocean City, and *W. H. Campbell*, City Commissioner.

Joseph H. Carr, for *Joseph M. Rowland*, a consumer.

On April 9th, 1918, the Ocean City Sewer Company filed a petition, asking the approval of this Board for a new schedule of rates proposed to be effective as of June 1st, 1918.

This proposed schedule of rates is as follows:

"Cottages and Private Residences, \$1.00 per room, per annum for all rooms not exceeding ten; for additional rooms 75 cent per room per annum.

"Each Apartment in an Apartment House to be rated as a cottage with a corresponding number of rooms.

"Boarding Houses and Hotels with less than twenty sleeping rooms for guests to be rated as cottages or private residences.

"Boarding Houses and Hotels with twenty or more sleeping rooms for guests, \$1.00 for each sleeping room, whether for the occupancy of guests or other persons, up to and including thirty sleeping rooms, and 75 cents per annum for each sleeping room in excess of that number.

"Meat, Fish and Provision Stores and Markets, \$12.00 per annum.

"Drug stores with soda water fountains and Barber Shops, \$10.00 per annum.

"Restaurants and Ice Cream Saloons with seating capacity for fifty persons or less, \$10.00 per annum, and \$1.00 per annum for each ten persons' capacity in excess of that number.

"Offices and Stores, other than those mentioned above, \$5.00 per annum.

"Special Services, not rated above, at such rates as may be agreed upon between the company and the owner.

"School Houses, Fire Houses, Municipal and Public Buildings and Places to be furnished with service at the same rates as private individuals.

"All the above rates to be subject to an annual minimum charge of \$5.00."

Exhibit A of the petition sets forth in full the sewerage ordinance entitled "An Ordinance to Provide Sewer Drainage for Ocean City, New Jersey," passed on April 28th, 1893. This ordinance prescribes rates to be charged by the company as follows:

Ocean City Sewer Company—New Schedule of Rates.

"Sec. 7. And be it enacted, That the said company is to give the said Borough the use of its system for the sewerage of public buildings and school houses, free from all costs and charges for the use of all main pipes. The said Borough shall be at the expense of making all the connections necessary for the foregoing and laying all services for the same and making all repairs to said service pipes from time to time necessary.

"Sec. 8. And be it enacted, That the said company charge and collect in advance for the use of said sewer service as follows: For hotels or boarding houses, seventy-five (75) cents per annum for each sleeping room not exceeding thirty, and fifty (50) cents per annum for each additional sleeping room over said number; private dwellings or cottages, seventy-five (75) cents per annum for each room not exceeding ten, and fifty (50) cents per annum for each additional room over said number; for saloons, shops, stores, offices and slaughter houses, each as follows: saloons, shops, stores and offices, four (4) dollars per annum, and slaughter houses, fifteen (15) dollars per annum. And all other places such rates as may be agreed upon between the said company and the owners or lessees, but all special rates or special agreements shall be at the option of said company."

The matter was heard on May 7th and 14th.

In considering this petition, it is proper to ascertain what would be a reasonable revenue for the company to derive from its service, first determining with sufficient accuracy for the purposes of this report the amount of property which is used and useful and devoted to the service of the public. Providing the resulting rates do not exceed the value of the service, this reasonable revenue will be taken to include:

- (a) A fair return on the property devoted to public use.
- (b) Reasonable operating expenses under efficient management.
- (c) A reasonable provision for accruing depreciation over and above current maintenance and repairs.
- (d) Taxes and uncollectible bills.

I. (a) CAPITAL USED AND USEFUL.

In its annual report, as of December 31st, 1917, the company claims to have plant and equipment valued at \$206,279.60 by its book accounts. In order to provide more affirmative evidence, the company produced an appraisal made by William H. Boardman. This appraisal of the property is in sufficient detail to be checked by the Board's engineer. For the purpose of this investigation it

Ocean City Sewer Company—New Schedule of Rates.

will not be necessary to consider all of the items included by Mr. Boardman in his appraisal, a summary of which is shown in Table I following, rearranged so that those portions which are necessary to be considered may be segregated.

Omitting 1% for insurance and taxes during construction, the value of the tangible fixed capital new as appraised by Mr. Boardman, is \$170,886, to which is added for construction in progress at the time of the hearing, but which is expected to be completed and in service by July 1st, 1918, a further amount of \$18,114, which increases the total fixed tangible capital as of July 1st, 1918, to \$189,000. Mr. Boardman adds other items for working capital, organization and development, including therein deficit in operation, contractor's profit and brokerage or discount on bonds, the sum of all of these items aggregating \$89,819, making the total of his appraised value new \$278,799. From this amount he deducted \$16,488 for accrued depreciation of plant and property, leaving a net present value, as of December 31st, 1917, of \$262,311. For the purposes of this report we will take as a basis the tangible fixed capital of \$189,000, less \$25,000, the proceeds of a \$30,000 bond issue, the interest on which is not to be paid by the petitioner for the years 1918, 1919 and 1920, respectively. This will leave as the value new of the tangible fixed capital, \$164,000.

I. (b) INTANGIBLE VALUE AND ACCRUED DEPRECIATION.

It is not necessary, at this time, to ascertain the full amount of intangible capital to which this company may be entitled; such items as organization expense, development expense and similar capital costs will not be definitely determined at this point with the exception of that relating to unearned depreciation. It has been held by various courts and commissions that *unearned* depreciation is a proper addition to intangible capital. It is quite evident from the financial history of this utility that its rates have not been sufficient to return to it in cash annual sums which would provide for accruing depreciation. On the contrary, it is apparent that the company has sustained considerable deficits in

Ocean City Sewer Company—New Schedule of Rates.

operation. For this reason, while \$16,488 might be deducted from the capital base of \$164,000, it would be necessary to add the same amount to intangible capital for the item of unearned depreciation, the result remaining the same. This is the only item of intangible capital which will be determined in the instant case.

TABLE I.—OCEAN CITY SEWER COMPANY.

SUMMARY OF APPRAISAL OF THE PROPERTY OF THE OCEAN CITY SEWER COMPANY MADE BY WM. H. BOARDMAN AS OF DECEMBER 31, 1917—
RE-ARRANGED (See Exhibit P-5.)

No.	Items.	Reproduction Cost New
1.	Real Estate	\$3,704
2.	Collecting Pipe System	117,228
3.	Concrete Ejector Pit	671
4.	Pumping Equipment	3,650
5.	Compressed Air Line	1,640
6.	Sewage Disposal Plant	9,843
7.	Re-surfacing Streets	4,678
8.	Service Connections	12,150
	Base value of tangible property	\$153,564
	Add 7 per cent. for Superintendence and Engineering	10,750
	Subtotal	\$164,314
	Add 3 per cent. for Interest during Construction	4,929
	Add 1 per cent. for Insurance and Taxes during Construction....	1,643
	Completed Tangible Fixed Capital, new (excluding 1 per cent. Insurance and Taxes in original appraisal)	\$170,886
	Construction in Progress to be placed in service about 7-1-18...	18,114
	Total Fixed Tangible Capital, 7-1-18	\$189,000
	Other Items.—Tools and Materials on hand, other working capital, organization and development, and deficits in operation, con- tractor's profit and brokerage	89,799
	Total of Appraisal Value New	\$278,799
	Accrued Depreciation	16,488
	Present Value as of December 31, 1917	\$262,311

 Ocean City Sewer Company—New Schedule of Rates.

I. (c) WORKING CAPITAL.

The existing and proposed schedule of rates both provide that bills for service shall be rendered on June 1st for the ensuing year and are payable in advance. This being so, it is quite apparent that the company has in hand from prepaid rates the amount of working capital required for the conduct of its business, and for that reason no working capital may reasonably be allowed in this case.

I. (d) CAPITAL ALLOWED IN THIS PROCEEDING AS A BASIS FOR RATES.

With the exception of unearned depreciation, no intangible values or working capital will be included, so that the basis for rates will be taken at \$164,000 for the purposes of this investigation. On this amount the Board will allow as a fair return to provide for interest, bond discount and other similar items 6% per annum, which amounts to a total return for the use of property so far as determined, \$9,840.

II. OPERATING EXPENSES ADJUSTED, TAXES AND OTHER REVENUE REDUCTIONS.

In Exhibit B, attached to the petition, the company shows a statement, entitled "Income and Expenses of the Ocean City Sewer Company for the Years 1913 to 1917, Inclusive," as follows:

"YEAR ENDING.	EARNINGS.	TOTAL EXPENSES.	LOSS.
December 31, 1913	\$12,328.22	\$14,562.94	\$2,234.72
December 31, 1914	13,953.35	18,852.56	4,899.21
December 31, 1915	15,246.94	18,737.97	3,491.03
December 31, 1916	15,835.69	21,203.39	5,367.70
December 31, 1917	16,425.48	23,619.81	7,194.33"

Ocean City Sewer Company—New Schedule of Rates.

In an analysis of operating expenses, shown in Exhibit P-1, the total operating expenses for 1917 are given as \$11,820.59, which includes an item of \$192.33 for amortization of debt discount and expense, and \$347.81 for interest and discount. These last two items are more properly appropriation accounts which are to be provided for out of the rate of return on capital and will be so considered in this report. A detailed analysis of the disposal plant maintenance for 1917 is also shown in Exhibit P-1, which the company states to be \$6,913.70; examination of this item indicates it is probably excessive for reasons shown in the following Table II. Making adjustments in each of the three years of the item of \$2,500, which was charged entirely to the year 1916, but should have been apportioned over the three years 1914, 1915 and 1916, we find that the total plant maintenance for these three years was \$9,984. The Ocean City Water Company is operated by the same management and apportionment of expenses is made between the two companies, which are really two departments of a jointly operated utility. Table II shows that, to be consistent with the facts and also with the apportionments made in the preceding three years, the amount of \$6,914 of plant maintenance should be reduced to \$5,040 and this amount will be taken as the fair amount which should maintain this plant in proper order during 1918, under proper allocation of joint expenses.

Making this adjustment, Table III shows the adjusted operating expenses and revenue deductions for 1917 based on Exhibit P-1, Table II and the annual reports of the company. This table indicates that the fair operating expenses, revenue deductions and a provision of \$2,000 for general amortization of fixed capital will amount to \$13,705, omitting therefrom items pertaining to interest and amortization of debt discount and expenses which were included in "Operating Expenses" in the exhibits submitted by the company. While this amount is an approximation it is believed to be sufficiently accurate for the purposes of this report; the deduction of \$1,874 made in Table II might be decreased on a more rigid analysis made from the original books. Moreover, franchise taxes will be increased by operation of the statute known as Chapter 17 of the Laws of 1917.

 Ocean City Sewer Company—New Schedule of Rates.

TABLE II.—OCEAN CITY SEWER COMPANY.

 PLANT MAINTENANCE ADJUSTED (SEE P-1 AND ANNUAL REPORTS
OF THE COMPANIES TO THE BOARD).

Year	— Ocean City Sewer Co. —			— Ocean City Water Co. —		
	No. of	— Plant Ma'te'ce —		No. of	— Plant Ma'te'ce —	
	Con's	Amt.	Per Con.	Con's	Amt.	Per Con.
1914	1,701	\$3,356*	\$1.97	2,216	\$4,510	\$2.03
1915	1,801	3,024*	1.68	2,313	5,969	2.58
1916	1,891	3,604**	1.91	2,335	6,536	2.80
3-year Totals,	5,393	\$9,984	\$1.85	6,864	\$17,015	\$2.48
1917, by Ex. P-1,						
	1,916	\$6,914	\$3.61	2,390	\$5,685	\$2.38
1917 Adjusted, 1,916		5,040	2.63	2,390	7,559	3.16
See details below.						
Indicated decrease		\$1,874				

Method of adjusting 1917 Plant Maintenance. The Ocean City Water Company and the Ocean City Sewer Company have their plants housed together and operated by practically the same men. The testimony by the Company's witness (Testimony, p. 67) was to the effect that the quantity of water pumped by each company roughly corresponded. This being granted, while the friction of the sewage might exceed that of the water, the power required to elevate the water high enough for service pressure, would naturally require more coal than would the sewage. But assume that the apportionments of the companies for 1914, 1915 and 1916 were correct. Then 37 per cent. of the combined plant maintenance was apportioned to the sewer company and 63 per cent. to the water company for the three years. For 1917 assign 40 per cent. of the combined maintenance to the sewer company and 60 per cent. to the water company. We then have \$5,040 instead of \$6,914 for the sewer company. This appears to be more reasonable than the allocation made by the sewer company and will therefore be taken as a basis for rates. While not exact, it is sufficient for the purpose as used herein.

*\$833.33 added, improperly charged to expense of 1916.

**\$1,666.66 deducted, which should have been charged in 1914 and 1915, respectively.

Ocean City Sewer Company—New Schedule of Rates.

TABLE III.—OCEAN CITY SEWER COMPANY.

OPERATING EXPENSES AND REVENUE DEDUCTIONS, ADJUSTED.

(See Exhibit P-1 and Table II.)

	Even Dollars
Labor	\$540
Salaries	2,361
Disposal Plant Maintenance by Exhibit P-1	\$6,914
Less Adjustment by Table II	1,874
	<hr/>
Taken as	5,040
Miscellaneous Expense	463
Stationery and Printing	120
Store and Stable Expense	301
Insurance	97
Miscellaneous Office Expense	123
Disposal Plant Repairs	150
	<hr/>
Operating Expense Proper, Omitting Depreciation	\$9,204
Taxes by Annual Report	2,299
Uncollectible Bills	202
	<hr/>
Total Revenue Deductions, Omitting Depreciation	\$11,705
General Amortization of Fixed Capital (Depreciation)	2,000
	<hr/>
Total Revenue Deductions, Adjusted	\$13,705

NOTE.—Interest and amortization of debt discount and expense are to be provided for out of the rate of return.

III. REVENUE REQUIRED AS INDICATED BY TABLES I, II AND III.

Summing up, the amounts required to return 6% on capital and to provide fair operating expenses and revenue deductions under efficient management, we have the following:

For 6 per cent. interest on assumed base of \$164,000.....	\$9,840
For total revenue deductions adjusted (see Table III).....	13,705
	<hr/>
This gives a total revenue required of.....	\$23,545

In Exhibit P-2 the company submits a statement indicating revenue produced by the existing schedule of rates for the year 1917 and the amount which would have been produced by the

Ocean City Sewer Company—New Schedule of Rates.

proposed schedule of rates if it had been in effect during the year 1917. This shows that the revenue expected to be derived under the new schedule from all services (other than that provided by the Ordinance, Sec. 7, above quoted, to be furnished to the municipality free) amounts to a total of \$22,857. The company proposes to charge for municipal service in contravention of said Sec. 7 a further amount of \$760, making a total revenue for which it seeks the approval of the Board of \$23,617. Excluding the \$760 revenue proposed to be derived from service rendered to the city, we have a residual revenue of \$22,857. This is \$688 less than indicated as a reasonable revenue.

A comparison has been made with the operating revenue, operating expense and plant cost of the Ocean City Sewer Company with the sum total of such items for other private sewer companies in the State having upwards of one thousand house connections combined, in order to get a composite comparison. Amongst those companies the Burlington and Collingswood Sewerage Companies are included. The Board recently allowed a new set of rates to go into effect with respect to those two companies and the comparison shows the result on the basis of the old rates and on the basis of the new rates allowed.

The Ocean City Sewer Company, according to its 1917 annual report, had 1,916 house connections. Its operating revenue was \$16,425, its operating expense and revenue deductions \$15,717, its book plant cost \$206,280. Per house connection, the operating revenue was \$8.57, the operating expenses and revenue deductions, \$8.20, and plant cost, \$107.66. On the basis of the new rates proposed to be filed permitting municipal service to be charged for, the operating revenue for 1917 would have been \$22,857, the operating expenses and revenue deductions, as adjusted, \$13,705, and a plant cost, so far as determined, of \$165,904. Per house connection the operating revenue would be \$11.92, the operating expenses and revenue deductions, \$7.25, and the plant costs \$86.59. For the five other companies combined the number of house connections was 18,211, the operating revenues, \$262,484, the operating expenses and revenue deductions, \$188,955, and the plant cost, \$2,308,011; or, per house connection, the operating revenue was \$14.37, the operating expenses

Ocean City Sewer Company—New Schedule of Rates.

and revenue deductions, \$10.34, and the plant cost, \$126.32. On the basis of the new rates allowed to be filed by the Burlington Sewerage Company and the Collingswood Sewerage Company, the operating revenue would be increased for 1917 to \$274,007, which would be \$15 per house connection, and the plant cost was reduced to \$2,117,337; or, per house connection, \$115.89. While comparisons are not always conclusive, it would appear from the above that the new rates proposed to be filed by the Ocean City Sewer Company will return about 80% revenue per house connection; the operating expenses, as adjusted, will be about 70%, and the capital, so far as determined, is about 75% of those for the other companies combined.

TABLE IV.—OCEAN CITY SEWER COMPANY.

1917 REVENUE FROM EXISTING RATES COMPARED WITH REVENUE WHICH WOULD BE PRODUCED BY THE PROPOSED SCHEDULE. SEE EXHIBIT P-2, AND CALCULATION OF MR. EDWARDS SUBMITTED MAY 22, 1918.

Class	No.	—Annual Revenue Produced by—		
		A	B	C
		Old Rates.	New Rates.	Increase.
Dwellings	1,634	\$10,897	\$14,693	\$3,796
Apartments	182	2,158	3,421	1,263
Hotels, Boarding Houses, Markets	267	2,106	3,039	933
Specials	56	777	1,088	311
Miscellaneous	31	440	616	176
Subtotal	2,170	\$16,378	\$22,857	\$6,479
Municipal Service	8	0	760	760
(Testimony, p. 66)				
Totals	2,178	\$16,378	\$23,617	\$7,239

NOTE.—These figures for 1917 will vary slightly from the figures in the 1917 annual report due to minor adjustments not included.

The city denies the authority of the Board to make any rate to be charged for the service furnished the municipality buildings because of the “free service” provision of the ordinance previously referred to and relies on the decision of the Court of Errors and Appeals in the Plainfield case as sustaining its position. *Public Service Electric Company vs. Board of Public Utility Commissioners*, 96 Atl., p. 1013.

Ocean City Sewer Company—New Schedule of Rates.

In that case the electric company declined to continue certain service to the city provided for in an agreement, the consideration of which was the passage of an ordinance by the City of Plainfield designating certain streets and highways in that municipality through and upon which posts or poles of the company might be placed and maintained, providing for the manner of placing the same and for the construction, maintenance and use by the company of underground conduits, cables, etc., for the distribution of electricity for light, heat and power.

The company endeavored to avoid its contract under Section 18 of the Public Utility Act, which provides that no public utility as herein defined shall (*d*) make or give any undue or unreasonable preference or advantage to any person or corporation or to any locality, etc.

The court did not discuss or in anywise consider the important duties and powers of the Board under other sections of the same Act. Section 17 (*h*) makes it the duty of the Board to approve an increase in rates "upon being satisfied that the same is just and reasonable." Section 16 (*c*) authorizes it to fix just and reasonable rates to be thereafter observed whenever it shall find that "any existing rate is unjust, unreasonable, insufficient or unjustly discriminatory or preferential;" and several sections require the company to give adequate and sufficient service, which means ample and proper facilities, plant and equipment.

Under these statutory directions the Board has been authorized to deal with any existing rates, and if, after proper hearing and investigation, it makes the necessary findings, to set them aside if unjust, insufficient or discriminatory. It follows that any unjust rate due to discrimination or preference must fall. No exception is made to franchise rates.

Justice Swayze, writing the recent opinion in the Collingswood Sewerage Company case, P. U. R., 1917 C., p. 264, says:

"Its (the Board's) jurisdiction is challenged because it is said that to alter the rates would impair the obligation of the contract between the borough and the company. We think this question is settled, so far as this court is concerned, in favor of the jurisdiction of the Board by what was said in at least three prior decisions. *Public Service R. Company vs. Public Utility Comrs.*, 85 N.

Ocean City Sewer Company—New Schedule of Rates.

J. L., p. 123; *North Wildwood vs. Public Utility Comrs.*, 88 *N. J. L.*, p. 81; *Atlantic Coast R. Company vs. Public Utility Comrs.*, 89 *N. J. L.*, p. 407."

At page 268 of the same case, the learned Justice says:

"The next question is whether the Public Utilities Act of 1911 authorized the Commission to raise rates, as well as to lower them. Of this there can be no doubt. The power is given by Section 16 (c), which authorizes the Commission, after hearing, upon notice by order in writing, to fix just and reasonable individual rates, wherever an existing rate is unjust, unreasonable, insufficient or unjustly discriminatory or preferential.

"It is too plain to require statement that a rate may be unjust and unreasonable because too low as well as because too high; the statute aims to secure justice to both sides. If the words 'just and reasonable' were not enough, the inclusion of the case where the existing rate is insufficient would remove all doubt. Injustice and unreasonableness due to an insufficient rate can only be corrected by raising it, and injustice due to discrimination or preference may require that one rate be raised or that the other rate be lowered in order to produce a rate that shall be just and reasonable. Only by adhering to the express language of Section 16 (c) can the result be reached that is set forth in Section 15, that the Board shall have general supervision and regulation of, jurisdiction and control over, all public utilities, and over their property, property rights, equipments, facilities and franchises, so far as necessary to carry out the provisions of the act."

We conclude, therefore, that the duty of the Board is to approve the schedule of rates, if it appears that the same are just and reasonable for the service to be rendered. Whether Section 7 of the ordinance is enforceable by the city, and will relieve it from paying such rates for service is, under the Plainfield case, a question for the courts.

The Board, therefore, finds and concludes that this schedule of rates now considered is just and reasonable, and may become effective from the date hereof.

Dated June 13th, 1918.

No. 567.

IN THE MATTER OF INTEREST ALLOWED ON DEPOSIT BY THE
ATLANTIC COAST ELECTRIC LIGHT COMPANY.

1. The rate of interest a bank may allow to willing depositors on money which it loans at a profit should not be accepted, without limitation, as the rate a public utility should allow on deposits not made voluntarily but as a condition to supplying service.
2. When a company obtains in advance from its customers a material part of the cost of supplying service it is not unreasonable for it to pay interest at a rate equal to that it pays for money borrowed from a bank, which appears to be five per cent.

Durand, Irvin & Carton, for the company.

Complaint was made to the Board by A. E. Kraybill, to the effect that he deposited with the Atlantic Coast Electric Light Company the sum of ten dollars as a guarantee for the payment of bills; that a receipt was given for this deposit and that the company stated that at the expiration of the contract, if the bills were paid promptly, interest on the deposit would be allowed at the rate of 4%. It was alleged that interest on a previous deposit was at the rate of 6% and was contended that 4% is an insufficient rate.

The complaint was referred to the Board's inspector, who reported that the complainant had moved from one residence to another, cancelled his old contract and signed a new one, and that a new rule adopted by the company provides that but 4% should be allowed on deposits. It was further reported that the company's representative stated that "on all other old deposits the old rate of interest would stand and that only on new deposits would the rate be reduced." Criticising this rule the inspector stated that "there does not appear to be any difference in the rights of an old customer and of a new customer with respect to the amount of interest their money should earn." The inspector recommended that the company adopt a rule which would be uniform in effect

Interest Allowed on Deposit—Atlantic Coast Electric Light Company.

for all customers who have made deposits to secure the prompt payment of bills.

A copy of this report was sent to the company. In reply the company stated that Mr. Kraybill at his new residence was considered a new customer and that the 4% interest rate was applied; that it agreed there did not appear to be any difference in the rights of an old and new customer with respect to the amount of interest their money should earn.

The company submitted a copy of a notice to be sent to its customers reading as follows: "Your attention is hereby directed to the fact that after June 1st, 1918, the rate of interest paid to consumers by this company will be 4%.

"Will thank you to return your present receipt of deposit to our commercial office, 726 Cookman Avenue, Asbury Park, on or about the date named, in order that we may issue a new certificate, and at the same time pay you the accrued interest on said deposit."

On receipt of this the Board directed its secretary to inform the company that it would not be satisfactory to the Board for the company to remove the discrimination by reducing the interest rate allowed to old customers; that the discrimination might be removed by making a 6% rate to all, but that if the company was unwilling to do this, a hearing would be afforded on the question of what would be a reasonable rate of interest to allow.

The company objected to allowing more than 4% and asked for a hearing, which was held.

At the hearing testimony was given to the effect that none of the customers of the company except Mr. Kraybill had been for some time allowed more than 4% interest on their deposits. It appeared, however, that the interest rate was changed arbitrarily by the company and that no notice was given to this Board. In our opinion, the company acted improperly in thus changing the rate, and notice of intention to change it should have been filed with the Board.

It appears that the company requires deposits not only from those without established credit, or who fail to give reasonable guarantees of payment, but that all non-property owners must

Interest Allowed on Deposit—Atlantic Coast Electric Light Company.

make deposits before service is afforded. It is contended in support of this practice "that the territory supplied is principally sea-side resorts with a greatly increased population and a corresponding increase of business during the summer months, the much larger part of the company's customers being summer customers for a period of about four months. The summer customers are a changing, shifting population, many of them being tenants only, with a doubtful or no financial responsibility, and the company found it necessary many years ago, after an experience for some years, in which they lost money in bad debts, to adopt a rule requiring non-property owners to make a deposit, to secure payment for current supplied."

The Board recognizes that at seasonal resorts conditions differ from those pertaining to places where the greater part of the population maintain their residences throughout the year. It may be that the rule which requires deposits by all non-property owners as a condition of supplying service is reasonable in view of the conditions under which the company operates. The record before the Board is not sufficient to decide this question. It is clear, however, that a rule such as the company has adopted results in the accumulation by it of considerable sums of money available for use before service is afforded and many of the expenses incidental thereto have been incurred. This is a distinct advantage to the company, and a disadvantage to those who for the time being part with their money without receiving service equal to its value. The company does not deny that interest should be allowed, but claims that as the highest grade of interest paid by any banking institution in the county is 4% it is not reasonable to expect it to pay more. It was testified at the hearing that the company borrows money for use in its business at 5%. It seems to the Board that the rate of interest a bank may allow to willing depositors on money which it loans at a profit should not be accepted, without limitation, as the rate a public utility should allow on deposits not made voluntarily, but as a condition of supplying service.

The total operating revenues of the Atlantic Coast Electric Light Company for the year 1917, as shown by its report to this

Interest Allowed on Deposit—Atlantic Coast Electric Light Company.

Board, were \$231,599.71; operating expenses, including taxes, \$201,548.49. The lowest sum on deposit at any time during the year was \$9,281.50 in the month of February. In August this sum had increased to \$26,578. Surely, when the company obtains in advance from its customers so material a part of the cost of supplying service it is not unreasonable for it to pay interest at a rate equal to that it pays for money borrowed from the bank, which appears to be 5%. The Board RECOMMENDS that this rate be allowed. If the Board is notified by July 1st next that this recommendation will be adopted no further action will be taken, otherwise an order will issue. It is contended by the counsel for the company that this Board has not the power to fix the rate of interest to be paid by the company on customers' deposits.

The Public Utility Act, Chap. 195, P. L. 1911, gives the Board power (c) "After hearing, upon notice, by order in writing, to fix just and reasonable individual rates, joint rates, tolls, charges or schedules thereof, as well as commutation, mileage and other special rates which shall be imposed, observed and followed thereafter by any public utility as herein defined, whenever the Board shall determine any existing individual rate, joint rate, toll, charge or schedule thereof or commutation, mileage or other special rate to be unjust, unreasonable, insufficient or unjustly discriminatory or preferential." The act also empowers the Board to (e) "fix just and reasonable standards, classifications, regulations, practices, measurements or a service to be furnished, imposed, observed and followed thereafter by any public utility as herein defined."

Ample authority is given the Board by the provisions of the statute quoted to fix a reasonable rate of interest to be allowed on deposits exacted by a public utility of its customers.

Dated June 18th, 1918.

New York Central Railroad Company—Schedule of Rates.

No. 568.

IN THE MATTER OF THE APPLICATION OF THE NEW YORK CENTRAL RAILROAD COMPANY, LESSEE OF WEST SHORE RAILROAD COMPANY, FOR AN AMENDMENT TO THE SCHEDULE OF RATES TO BE CHARGED FOR WATER BY THE HACKENSACK WATER COMPANY.

1. It has been repeatedly held that neither a utility nor an individual patron can make a contract to bar the power of the State to regulate rates.

2. After fixing a schedule of rates to be charged by a water company, in which the question of wholesale rates was carefully considered, in the absence of testimony showing the rates fixed to be unreasonable, a lower wholesale rate will be denied.

A. C. Wall, for the petitioner.

William M. Wherry, Jr., for the respondent.

A petition was filed by the New York Central Railroad Company, lessee of West Shore Railroad Company, alleging that it is operating the West Shore Railroad, the easterly terminus of which is at Weehawken; from which point it extends northerly through the Counties of Hudson and Bergen and through the State of New York to the City of Buffalo; that in the operation of said railroad it uses large quantities of water at Weehawken, New Durham and West Englewood, all in this State; that it entered into a contract with the Hackensack Water Company, Reorganized, the predecessor of the respondent, Hackensack Water Company, on December 1st, 1886, by the terms of which the said Hackensack Water Company, Reorganized, agreed to provide the petitioner and the West Shore Railroad Company with a good and sufficient supply of water at Weehawken and New Durham, in accordance with the provisions of said contract and its printed rules, regulations and conditions, as the same appeared in the printed tariff of rates, then established by said water company, dated June 10th, 1886, at the rate of 80 cents per M. cubic feet in lieu of the tariff rate. It was alleged further that the term of

New York Central Railroad Company—Schedule of Rates.

said contract was for five years; that after the expiration of said term either party wishing to terminate said contract might do so by giving the other party twelve months' previous notice in writing of its intention so to do; that said contract continued in full force and effect until July 30th, 1913, when a supplemental contract was made between the Hackensack Water Company and the petitioner, in and by which the former contract of December 1st, 1886, was modified and supplemented, so that beginning June 1st, 1913, the rate to be charged to the railroad company for water would be 56 $\frac{1}{4}$ cents per M. cubic feet or 71 $\frac{1}{2}$ cents per M. gallons; that this contract, by its terms, was to continue in force for ten years from November 1st, 1913, and thereafter until one year's previous notice in writing by either party to the other be given of its desire to terminate the same, and that the rate fixed in said supplemental agreement should apply to the yard and station of the petitioner at West Englewood.

For the year 1913 the petitioner's consumption of water at Weehawken and New Durham was 104,792,324 cubic feet, and at West Englewood its consumption during the said year was 2,375,000 cubic feet, all of which was delivered to the petitioner by the water company pursuant to the terms of said modified and supplemented contract.

The petition states: "By an order dated April 28th, 1917, this Honorable Board fixed the rates to be charged by the Hackensack Water Company for water delivered in the districts known as the New Durham low level district (outside of Hoboken), and Weehawken high service district, within which districts Weehawken, New Durham and West Englewood are located as follows:

For the first 40,000 cu. ft. in the year, \$1.15 per M. cu. ft.

For the excess over 40,000 cu. ft. and up to and inclusive of 400,000 cu. ft. in the year, \$0.90 per M. cu. ft.

For the excess over 400,000 cu. ft. and up to and inclusive of 4,000,000 cu. ft. in the year, \$0.80 per M. cu. ft.

For the excess over 4,000,000 cu. ft. in the year, \$0.65 per M. cu. ft.

Petitioner alleges that it received no notice of, was not a party to, and took no part in the proceeding in which said schedule of rates was fixed upon and determined; that prior to January 1st,

New York Central Railroad Company—Schedule of Rates.

1918, it was notified by the water company that after January 1st, 1918 (the date upon which the schedule of rates became effective), notwithstanding its contract, would be charged for water at the rates fixed by said order of this Board dated April 28th, 1917; that in view of the circumstances under which water is furnished to the petitioner by the water company as set forth in said amended and supplemental contract, and of the amount consumed by it, that the rates fixed by said schedule were unjust and unreasonable and unduly burdensome. It further alleges grave doubts that the order in question abrogated the contract between the petitioner and the water company.

The petitioner prays that the schedule of rates as heretofore fixed by this Board be amended and supplemented as follows:

By striking out the words "for the excess over 4,000,000 cu. ft. in the year, \$0.65 per M. cu. ft." and adding

For the excess over 4,000,000 cu. ft. and up to and inclusive of 10,000,000 cu. ft. in the year, \$0.65 per M. cu. ft.

For the excess over 10,000,000 cu. ft. and up to and inclusive of 20,000,000 cu. ft. in the year, \$0.60 per M. cu. ft.

For the excess over 20,000,000 cu. ft. in the year, \$0.56¼ per M. cu. ft.

The Hackensack Water Company substantially admits the allegations of the petition, excepting the parts alleging that the petitioner received no notice and was not a party to the proceedings in which the schedule of rates was fixed and determined. It also denies that the rates complained of are in any respect unjust, unreasonable or unduly burdensome to the petitioner, and asserts that this Board after hearing on notice, by order in writing dated July 3d, 1917, found and determined that the then existing schedule of rates of the said Hackensack Water Company were unjust and unreasonable and ordered and directed that the rates complained of in the petitioner's petition be fixed as just and reasonable rates, effective January 1st, 1918.

Hearings were held at which both witnesses of the petitioner and respondent were heard.

The contract made by the New York Central Railroad Company, as lessee of the West Shore Railroad Company, and the

New York Central Railroad Company—Schedule of Rates.

Hackensack Water Company, Reorganized, dated December 1st, 1886, as well as the supplemental contract between the New York Central and Hudson River Railroad Company and the Hackensack Water Company were admitted in evidence.

The consumption of water by the railroad company supplied to it at Weehawken, New Durham and West Englewood, in this State, was about 107,000,000 cubic feet.

The petitioner attempted to show that the schedule found to be reasonable by this Board in its order of July 3d, 1917, is unjust and unreasonable, because the said rate in this schedule is higher than the petitioner is obliged to pay at any other point on its system.

That, calculated upon the consumption of water for the year 1917, it cost the company about 8 cents per thousand gallons for the water purchased from the Hackensack Water Company, whereas the rate at Gardenville, New York, is 7 cents per thousand gallons.

Further, the company attempted to show that at the time of the negotiation by the railroad company with the water company a competitor of the water company had offered to furnish water to it at a lesser price. This offer was submitted to the railroad company in a letter which the petitioner offered and which was admitted in evidence.

The petitioner was not able to prove affirmatively, that it had not received notice in the proceedings in which the rate complained of was fixed by this Board and its counsel accepted the statement of the Secretary of this Board that a copy of the notice of the proceedings had been mailed to the petitioner. A witness for the water company further testified that he had seen and conversed with an engineer of the railroad company at one of the hearings in the proceedings.

The first question thus presented is, "Are the rates contained in existing contracts made by a public utility with a private consumer subject to change when other rates are determined to be just and reasonable?"

The pertinent paragraph of the Order of the Board in that proceeding is as follows:

New York Central Railroad Company—Schedule of Rates.

“The Board, therefore, finds and determines that the existing schedule of rates of the Hackensack Water Company is unjust and unreasonable and unduly discriminatory against the ordinary domestic consumers and is unduly favorable to the large wholesale consumers and with regard to the rates for fire protection.”

The Board then fixed rates which it found to be just and reasonable, including the rates complained of by the petitioner.

In the said proceedings the Board considered the contracts of the complainant as well as other contracts then in force. The original contract made by the petitioner with the water company was made before the act was passed creating this Board. It has been repeatedly held that neither a utility nor an individual patron can make a contract to bar the power of the State to regulate rates thereafter. *Union Dry Goods Company vs. Georgia Public Service Corporation*, 83 S. E. 946; *Minneapolis, &c., Railroad Co. vs. Menosha Woodware Company*, 150 N. W. 411.

In this State the Supreme Court has lately sustained this principle in the case of *Collingswood Sewerage Company vs. Collingswood*. The Court of Errors and Appeals has just decided the case of *Borough of Bradley Beach vs. Atlantic Coast Electric Railway Company*, comprehensively adopting the same principle.

As to the supplemental contract made by the water company with the railroad company on June 30th, 1913, this was at a date subsequent to the act creating this Board, and was, of course, subject to its jurisdiction, and may be abrogated and superseded by other rates which the Board found to be just and reasonable in any proceeding properly brought by or before it to ascertain the reasonableness of the then existing rates.

No testimony was offered by the petitioner to indicate that the rate complained of by the petitioner is unjust or unreasonable, nor has the petitioner advanced any reason to this Board why the rates should be so graduated as to provide lower rates beyond the consumption of 4,000,000 cubic feet as proposed by the petitioner.

The Board's report in this matter, dated April 28th, 1917, sets forth a schedule of rates derived after a full consideration of all the pertinent facts and the determination therein made is calculated to do justice to both the retail and wholesale users of water, wherever located.

New York Central Railroad Company—Schedule of Rates.

When considering the matters pertaining to the establishment of the rate schedule, the question of wholesale rates was very carefully studied; the consumption of the wholesale users ascertained as to quantity and location by service districts; appropriate charges were allocated to the quantities of water used in the amounts indicated by its report, and the Board's conclusions were concurred in by the engineers representing the company, the objectors and the Board. Analysis of costs revealed the fact that certain items are independent of the quantity of water consumed in the sense that costs would not further decrease with any increased use; that these items aggregate about 75% of the average cost of all water, and that about 25% are variable and dependent upon the quantity used. This 25% was absorbed, in the final rate schedule, in the first 4,000,000 cubic feet consumed, so that all water consumed above that amount will cost substantially 65 cents per thousand cubic feet, and no reasonable basis for other blocks at any lower rate could be found.

In other words, *omitting any costs of the distribution system of mains and taking only a portion of the cost of filtration*, no water can be sold at less than about 75% of the *average* cost of all metered water. The average cost of metered water being about 82 cents per thousand cubic feet, 75% would be about 62 cents, but the water used by the petitioner is pumped twice and therefore costs more than the average cost of all water pumped. In the New Durham and Weehawken districts the second pumping is done by the New Durham plant, which plant cost as much to build as the main New Milford pumping plant. It is apparent that 65 cents is not an unjust or unreasonable rate for wholesale water in any quantity whatsoever, and the final rate of 56¼ cents proposed is preferential and should not be approved by this Board.

The petition will therefore be dismissed.

Dated June 18th, 1918.

Enterprise Gas Company for Increased Rates.

No. 569.

IN THE MATTER OF THE PETITION OF THE ENTERPRISE GAS COMPANY FOR INCREASED RATES.

A gas company requiring \$11,904.00 annually to meet operating expenses and net six per cent. upon the assumed value of its property and working capital and falling short of this amount by \$2,468, is allowed an increase in rates.

Dr. Myrtle Frank, for the petitioner.

R. C. Steeble, for Egg Harbor City.

On April 9th, 1918, the Enterprise Gas Company filed its petition with this Board, asking its approval of the following schedule of rates, viz.:

“*Commercial Rate* (Light and Fuel).

\$1.95 per 1,000 feet up to and including 15,000 feet per month. All quantities over 15,000 feet at Industrial rate.

“*Industrial Rate* (Engines and Pressing Irons in Factories).

\$1.50 per 1,000 feet; exceeding 100,000 per month, \$1.20 per 1,000 feet.

“The above to be subject to a prompt payment discount of 5% on all bills of one dollar or over if paid on or before the twenty-fifth of each month.”

Its existing schedule of rates is as follows:

“*Commercial Rates* (Light and Fuel).

\$1.35 per 1,000 feet up to and including 15,000 feet per month. All quantities exceeding 15,000 feet at Industrial rate.

“*Industrial Rate* (Engines and Pressing Irons in Factories).

\$1.05 per 1,000 feet; exceeding 100,000 feet per month, 85 cents per month.

“The above to be subject to a prompt payment discount of 5% on all bills of one dollar or over if paid on or before the twenty-fifth of each month.”

Enterprise Gas Company for Increased Rates.

An amended petition was subsequently filed, stating, among other things, that "the appraised value of the property is \$41,151.87."

The matter was heard on May 7th, and it was stipulated that the application was to be considered as an emergency application.

An investigation of the "appraised value of the property" indicates that the \$41,151.87 is simply the book value as of December 31st, 1917, less the accrued amortization of capital set up on the balance sheet of the company and shown in its annual report to the Board on pages 8 and 9.

Tentatively, the Board will take the value as of June 30th, 1917, calculated to be \$40,405, increased by working capital of \$1,150, as of the same date, making a total of \$41,555 to be used as a basis for rates in this report, subject to provisions hereinafter set forth.

The company sold 7,579,200 cubic feet of gas during 1917. Its operating expenses for 1917, its expected increases for 1918, and its resulting estimated operating expenses, amortization and taxes, totaling \$9,411 are shown in the table following:

TABLE—ENTERPRISE GAS COMPANY.

SHOWING 1917 OPERATING EXPENSES AND TAXES; EXPECTED INCREASES FOR 1918; AND RESULTING OPERATING EXPENSES AND TAXES FOR 1918.

	1917 Expenses.	1918 Increases.	1918 Total Operat- ing Expenses
Production Expenses	\$5,416	\$1,647	\$7,063
Transmission and Distribution	45	.....	45
General and Miscellaneous Expenses, Omitting Amortization	837	.....	837
Amortization Expense	682	.....	682
Total Operating Expenses	\$6,980	.....	\$8,627
Taxes	684	100	784
Total Operating Revenue Deductions,	\$7,664	\$1,747	\$9,411

Enterprise Gas Company for Increased Rates.

In his Exhibit P-5, Dr. Frank includes 3%, or \$1,234.55, for amortization expense, this being 3% of his "appraisal value." The average amount appropriated by this company during the last six years has been about \$700 a year, none of which has been expended for retired capital. If the estimate of 3% is correct, this company, having been operating for about fourteen years, should deduct about 40% for accrued depreciation, or about \$18,000, instead of \$6,476, in order to arrive at its "appraised value" of \$41,151. Under the circumstances, \$682 as appropriated, is considered ample to protect the company with respect to replacements not apt to be made for some time in the future, and this amount, and not \$1,234, will be taken in considering this emergency application for increased rates.

FAIR REVENUE—ESTIMATED FOR 1918.

This will be computed as follows:

6 per cent. on \$41,555, for use of property, is	\$2,493
Operating Expenses and Revenue Deductions, as above	9,411
<hr/>	
Total Indicated Revenue	\$11,904
Revenue Received During 1917 on 7,579 M. cu. ft. of gas sold, etc...	9,436
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Deficiency to be Made up	\$2,468

This amounts to about 33 cents per 1,000 cubic feet, which is roughly equivalent to a 35-cent gross increase, less 5% discount. All of the increases testified to pertain to production expenses. Production expenses are proportional to the amount of gas sold, provided there is a large excess capacity in the generating plant, as appears in this case. It therefore follows that the increase of 35 cents above indicated should be added uniformly as a war emergency surcharge to *all gas sold* at the existing rates.

The Board therefore finds and concludes:

1. That, whereas Conference Rule No. 15 required that the company should furnish a statement showing the *appraised* value of its property, which information has not been furnished, and whereas the amount of increase asked for is not warranted by the testimony or findings of the Board, the petition will be denied.

Enterprise Gas Company for Increased Rates.

2. That the company may file a schedule of rates, adding as a war surcharge to existing rates the gross amount of 35 cents a thousand cubic feet for all gas sold on and after the date hereof, as hereinafter limited, subject to a discount for prompt payment of 5%, as provided in its existing schedule of rates.

3. That in event of the acceptance of these findings by the company, it shall file with the Board on or before October 1st, 1918, a competent appraisal of its property, with sufficient detail to permit same to be checked. Failure to file this appraisal within the stipulated time will automatically cancel the permission given in 2.

4. The Board will retain jurisdiction of the matter and if the appraisal should not justify the finding herein, the Board will then take such action as the facts may warrant.

5. Beginning at the effective date of said schedule of rates, the company is to render reports monthly to the Board showing the Operating Revenues, Operating Deductions excluding General Amortization, Non-Operating Income, Income Deductions and balance available for Amortization, Dividends and Surplus and amount appropriated for General Amortization for each succeeding calendar month, with comparison with the figures for the corresponding month of 1917; and the Board will retain jurisdiction of the emergency or war surcharge as herein approved, for the purpose of modifying or abrogating it as and if the conditions change.

Dated June 18th, 1918.

Monroe Water Company—Increased Minimum Bill.

No. 570.

APPLICATION OF THE MONROE WATER COMPANY IN RE INCREASED
MINIMUM BILL.

1. Of the total revenue of the petitioner but five-eighths is derived from service to private consumers, the balance coming from fire hydrant rentals. It does not appear to be equitable to obtain additional revenue needed, by imposing increased rates upon domestic consumers only.

2. A young company in the development stage should realize that it must face the cost of building up its business until its territory is more nearly saturated.

E. C. Reiche, for the petitioner.

The Monroe Water Company filed an application for permission to increase its schedule of annual minimum bills as follows:

	Present Schedule	Proposed Schedule
Single Connection to House	\$7.00	\$10.00
More than One Connection, Meter Rate	10.00	15.00

During the hearing, held on April 2d, the petitioner's witness stated that by "one connection" was meant a customer with one spigot, and that "more than one connection" meant a customer with more than one spigot in use.

The company bases its application on the fact that it had a deficit from operation during 1917 of \$869.53, including therein some extraordinary repairs incident to the unusually cold winter. The result of the extreme cold weather was that many feet of mains were burst. The witness estimated that, with the increased costs for fuel and material, and including the extraordinary repairs at the present rate of loss, the deficit for 1918 would probably reach \$1,400.

Williamstown, which is served by this company, has a population varying from 2,000 to 2,300, which indicates that probably 450 families inhabit the town. The company has attached to its system of upwards of five miles of mains about 164 customers, 64

Monroe Water Company—Increased Minimum Bill.

of whom are metered and 100 are served on a flat rate basis. The company's witness stated that a large number of possible customers were not connected with this system; that the proposed schedule was calculated to increase the company's revenue about \$450 if all customers continued to take water service at the new rates, but that substantially one-fifth would refuse to do so; this would result, he stated, in a net increase of about \$150 and a loss of about 30 customers. In view of the large number of possible customers who might be induced to take this service the Board is of the opinion that the company is not acting for the best interests of either the company or of the community in seeking to impose higher rates which will produce the negative result testified to by its own witness. Of its total revenue of \$2,850, \$1,100 arises from the rental of 55 fire hydrants at \$20 per annum, so that only five-eighths of its revenue is derived from service to private customers. It seeks, however, to impose all of the increase asked on this one class. This does not appear to be equitable. It is a young company, in the development stage, and should realize that it must face the cost of building up its business until its territory is more nearly saturated. If, by so doing, it can bring the cost of the service down to the value of same, the company will be a success; until this consummation is attained, it should use every endeavor to build up its business in the same manner as would a merchant.

The Board concludes it will deny the petition as submitted, but will permit the filing of a modified schedule of minimum annual bills as follows:

For the First Spigot	\$9.00 per annum
For more than One Spigot, or for Metered Customers...	13.00 per annum

Dated June 18th, 1918.

Coast Gas Company—Increase in Rates for Gas.

No. 571.

COAST GAS COMPANY IN RE INCREASE IN RATES FOR GAS.

1. In order to develop a fair schedule of rates for gas for domestic customers, the cost of service for such customers and for street lamps, as well as supplying other gas companies, must be ascertained.

2. An allocation of capital, depreciation and operating expenses is made to all classes of customers.

3. Where a proper allocation of increased revenue to be derived from domestic metered consumption would be \$10,395, a schedule of rates proposing to increase charges to these consumers more than \$20,000 will not be approved.

L. C. Ritchie, for the Coast Gas Company.

C. R. Rogers, for Neptune Township.

L. Edward Herrmann, for the Board.

The Coast Gas Company filed a petition asking the permission of this Board to add a

“* * * * temporary additional charge for gas service, made necessary by the high cost of operation in 1917 and the increased cost of operation for 1918, due to war conditions.”

The petitioner prayed that an order be made by the Board,

“* * * * approving an increase in its revenue by either a service charge based on the size of the meter installed in each premises or by way of an increased rate, and submits for approval the following:

For 3 and 5 Light Meters.....	\$0.50 a month
For 5A and 10 Light Meters.....	.60 a month
For 10A and 20 Light Meters.....	.70 a month
For 30 Light Meters.....	.80 a month
For 45 Light Meters.....	1.00 a month
For 30A and 60 Light Meters.....	1.25 a month
For 100 or over Light Meters.....	1.50 a month
per thousand feet of gas sold.”	

Coast Gas Company—Increase in Rates for Gas.

The matter was heard on April 23d and May 6th. By consent of counsel the record in the former proceeding with respect to the complaint of "*Bradley Beach vs. Coast Gas Company in re rate*" was made part of this record.

The existing schedule of rates for domestic customers of the petitioner is \$1.50 per thousand cubic feet of gas consumed, in addition to which the company wishes permission to add the above surcharge in proportion to the size of the meter through which the customer is served.

The company has developed its proofs on the theory that its 1916 business gave it a fair return on the capital invested and devoted to the service of domestic customers. Its petition alleges that the increased costs of operation of the company for 1917 over and above the same costs for 1916, were \$12,195.78 and that the increased costs of 1918 over and above those for 1917, will be \$20,565.10, a total increase for 1918 over 1916 of \$32,760.88. In its Exhibit P-15 the company sets forth that the amount to be derived from this proposed service charge would be \$19,313.40, based on monthly readings of meters during the calendar year of 1917, whereas Exhibit P-16 purports to show that the proposed minimum of four months' service charges will increase this amount to \$20,900.20. It is to be noted that the company proposes to charge the entire increased costs to one class of customers, viz.: the metered domestic customers, whereas the company serves, in addition to such customers, municipal and private street lamps, the Shore Gas Company and the Lakewood Gas Company, the latter two being served at wholesale rates of \$1.10 and \$0.44 per thousand cubic feet, respectively. The Board, however, in order to develop a fair schedule of rates for domestic customers, must ascertain the cost for each class of customers, so that none will be discriminated against or be preferentially treated. In order to do this, an allocation of capital, depreciation and operating expenses has been made for the four classes of service rendered by this company during the year 1917, this being the latest information available. This will be shown in the tables following.

Coast Gas Company—Increase in Rates for Gas.

I. CAPITAL, USED AND USEFUL. ALLOCATED TO CLASSES OF SERVICE.

In Table I the total capital of \$775,485, based on appraisals made by the Board in former investigations, brought down to June 30th, 1917 (this being the average for the year) is shown, sub-divided by function and allocated to the classes of service. Allowing the company 6% interest on this capital, $1\frac{3}{4}\%$ for taxes (other than franchise) and an appropriation for annual accruing depreciation as charged by the company for 1917, will require a total return to provide for these three items of $7\frac{3}{4}\%$ a year. The last line of Table I will show this $7\frac{3}{4}\%$ for the company as a whole and also for each class of service rendered.

Methods of Apportionment. With the exception of the Lakewood Gas Company, the peak of production of the Coast Gas Company occurs in the month of August, this being occasioned by the large seasonal population served during the summer months. The peak of gas delivered to the mains during the month of August, 1917, was 27,923,591 cubic feet, whereas in March the gas delivered to the mains dropped to 6,695,690 cubic feet. The character of the consumption of the Shore Gas Company is likewise seasonal with a summer peak. For this reason an apportionment of plant with respect to the Shore Gas Company will be made in direct proportion to the gas sold. The Lakewood Gas Company, however, has its minimum consumption in the summer months of June, July and August and has its peak in December, January and February, at which time there is a very large excess capacity in the generating plant of the Coast Gas Company, as can be seen by consideration of its output figures shown above. It is evident, therefore, that the Lakewood Gas Company should not be charged for plant costs in direct ratio to gas bought as should be the customers of the Coast Gas Company and of the Shore Gas Company. This is reasonable, for, with the exception of fuel and oil, most of the plant costs would continue even though the Lakewood Gas Company were cut off, whereas the Lakewood Gas Company's peak

Coast Gas Company—Increase in Rates for Gas.

coming at the time of the Coast Gas Company's minimum output decreases the standby and radiation losses by increasing the number of hours during which gas is generated at full capacity. With respect to the Shore Gas Company and the Coast Gas Company, however, much addition to the peak will require the installation of additional plant capacity.

With respect to transmission mains, the allocation to the Shore Gas Company and the Lakewood Gas Company is made as follows: The total amount of gas passing through each section of the transmission main is first computed. The ratio of the amount of gas being transmitted for the use of Lakewood to this total is ascertained in percentage and the same percentage of the total value of the section of the main is allocated to Lakewood's use. The transmission main to the Shore Gas Company is allocated in a similar manner and the sum of these two values is deducted from the total value of the mains belonging to the Coast Gas Company. This leaves the amount which is devoted to the use of the Coast Gas Company's own customers, which are in turn allocated to metered and street light customers. Other values are allocated in ratio to use, in somewhat similar manner.

In conclusion, Table I shows that of the total capital of \$775,485, \$593,056 is allocated to the Coast Gas Company's metered customers, and \$49,296 to municipal and private street lamps, a subtotal of \$642,352; \$29,000 is allocated to the Shore Gas Company and \$104,133 to the Lakewood Gas Company. Seven and three-quarters per cent. on these amounts will indicate for the company as a whole \$60,100 for use of capital, of which \$45,962 annually is allocated to the domestic metered customers of the Coast Gas Company, \$3,820 to municipal and private street lamps, a subtotal of \$49,782, and \$2,248 is allocated to the Shore Gas Company and \$8,070 to the Lakewood Gas Company. Table I follows:

Coast Gas Company—Increase in Rates for Gas.

TABLE I.—COAST GAS COMPANY.

ALLOCATION OF CAPITAL TO CLASSES OF SERVICE AS OF JUNE 30TH, 1917.

Capital Devoted to	Total Cost New Less Reserve	Coast Gas Company		Shore Gas Company	Lakewood Gas Company
		Metered	St. Lamps		
I. Production	\$281,508	\$202,686	\$16,327	\$11,823	\$50,672
II. Transmission Mains	\$85,185	.....	.....	\$14,500	\$45,788
II. Distribution Mains	234,013	.....	.....	.....	.....
II. Total Mains	\$319,198	\$239,751	\$19,159	\$14,500	\$45,788
II. Meters and Services	93,969	93,969	.....	.....	.....
III. Street Lights	10,951	.....	10,951	.....	.....
IV. General	\$705,626	\$536,406	\$46,437	\$26,323	\$96,460
	32,931	28,650	659	1,317	2,305
Total Fixed Capital	\$738,557	\$595,056	\$47,096	\$27,640	\$98,765
Working Capital, 5%	36,928	28,000	2,200	1,360	5,368
Total Capital	\$775,485	\$593,056	\$49,296	\$29,000	\$104,133
7¼ % on Capital is	60,100	45,962	3,820	2,248	8,070

Coast Gas Company—Increase in Rates for Gas.

II. OPERATING EXPENSES.

In Table II operating expenses (exclusive of Account 495, General Amortization, and also exclusive of franchise taxes, both of which are made a function of capital and included in the $7\frac{3}{4}\%$ shown in Table I) are allocated by classes of service and by character, the general method of apportionment being similar to that used in Table I.

In Table III are brought together the totals of Tables I and II, the sum being the total revenue required for 1917, allocated to classes of service.

From these totals, sundry sales of \$2,328 are deducted, likewise allocated to classes of service, leaving gas revenue required from the sales of gas only of \$145,152, allocated as follows: \$109,771 to metered customers, \$10,580 to municipal and private street lamps, a sub-total of \$120,351 for the Coast Gas Company's own customers; \$4,675 is required from the Shore Gas Company and \$19,126 from the Lakewood Gas Company. The annual report of the Coast Gas Company for 1917, on page 22, shows that the total revenue received from the sales of gas for the year 1917 was \$138,021, of which \$111,419 was received from metered customers, \$7,764 was received from municipal and private street lamps, a sub-total of \$119,183 from the customers of the Coast Gas Company; \$4,079 was received from the Shore Gas Company and \$14,759 from the Lakewood Gas Company. This shows that, with respect to metered customers, 1917 showed an excess revenue of \$1,648, whereas with respect to other classes of service not involved in this application, there was a total deficit of \$7,299, of which \$2,816 arose from municipal and private street lamps, \$596 from the Shore Gas Company and \$4,367 from the Lakewood Gas Company. The net deficit for the whole company was \$6,131. Table III also shows these items in terms of thousand cubic feet of gas sold.

Coast Gas Company—Increase in Rates for Gas.

TABLE II.—COAST GAS COMPANY.
ALLOCATION OF OPERATING EXPENSES.
(Exclusive of Account 495, General Amortization and exclusive of franchise taxes made as a function of capital.)

Items.	Total for entire company.	Coast Gas Co.'s Own Consumers		Sold to Shore Gas Co.	Sold to Lakewood Gas Co.
		Metered	St. Lamps		
I. Production	\$49,485	\$35,630	\$2,870	\$38,500	\$8,907
II. Transmission and Distribution Mains..	1,167	598	49	647	487
III. Distribution	5,199	4,614	120	4,734	425
IV. Street Lamps	3,256	.....	3,256	3,256	.....
V. Commercial	16,950	16,770	68	16,838	100
VI. New Business	1,518	1,508	10	1,518	.....
VII. General and Miscellaneous	5,838	4,203	339	4,542	1,051
Total Operating Expenses	\$83,413	\$63,323	\$6,712	\$70,035	\$10,970
Taxes, Franchise Only	2,856	2,260	218	2,478	393
Uncollectibles	111				
Total Deductions	\$86,380	\$65,583	\$6,930	\$72,513	\$11,363

Coast Gas Company—Increase in Rates for Gas.

TABLE III.—COAST GAS COMPANY.
ALLOCATION OF REVENUE REQUIRED FOR 1918 DERIVED FROM 1917 EXPERIENCE ADJUSTED TO 1918 CON-
DITIONS AS KNOWN IN APRIL 1918.

Items.	Total for entire company	Coast Gas Co.'s Own Consumers.		Shore Lakewood Gas Co.
		Metered	St. Lamps	
Operating Expenses, Franchise Taxes only and Uncollectibles	\$86,380	\$45,583	\$6,930	\$2,504
7¾ % on \$775,585 for 6% interest plus Gen- eral Amortization and Taxes other than Franchise	60,100	45,962	3,820	2,248
Total Revenue Required for 1917	\$146,480	\$111,545	\$10,750	\$4,752
Deduct Sundry Sales	2,328	1,774	170	77
Gas Revenue Needed	\$144,152	\$109,771	\$10,580	\$4,675
Gas Revenue Received	\$138,021	\$111,419	\$7,764	\$4,079
1917 Excess or .....	.....	1,648	.....	.....
Deficit	6,131	.....	2,816	596
<i>Per M. cu. ft. sold</i>				
1917 Gas Revenue needed to return 6%	1.22	1.47	1.77	1.25
1917 Gas Revenue received	1.17	1.49	1.30	1.10
1917 Sales in M. cu. ft.	118,134	74,625	5,978	3,736
			80,603	33,795

Coast Gas Company—Increase in Rates for Gas.

**III. INDICATED INCREASES IN OPERATING EXPENSES FOR 1918,
ALLOCATED TO CLASSES OF SERVICE.**

Table IV shows that the operating expenses for 1918 as compared with 1917 for the entire company are expected to increase \$19,791, of which \$12,043 will be allocated to metered customers, \$1,214 to municipal and private street lamps, a sub-total for the company's own customers of \$13,257; \$691 will be allocated to the Shore Gas Company and \$5,843 to the Lakewood Gas Company.

**IV. GAS REVENUE REQUIRED FOR 1918, ALLOCATED TO CLASSES
OF SERVICE.**

The revenue required for 1918, based on the facts developed in the preceding tables, are brought together in Table V and show that the total revenue required for the entire company for 1918, based on sales of gas during 1917, will be \$163,943, of which \$121,264 is allocated to metered customers, \$11,794 to municipal and private street lamps, a sub-total for the company's own customers of \$133,508, and \$5,366 to the Shore Gas Company and \$24,969 to the Lakewood Gas Company for wholesale gas.

Coast Gas Company—Increase in Rates for Gas.

TABLE IV.—COAST GAS COMPANY.

OPERATING EXPENSES—INDICATED INCREASES FOR 1918—ALLOCATED TO CLASSES OF SERVICE.
(From Ex. P-10, re-arranged)

Items.	Total for entire company	Coast Gas Co.'s Customers			Shore Lakewood	
		Meters	Lamps	Total	Gas Co.	Gas Co.
1918 INCREASES OVER 1917						
I. Production Expense Generator Co.....	\$1,525					
Boiler Fuel	535					
Gas Oil	16,495					
Labor	510					
Total Production Expense	\$19,065	\$11,649	\$934	\$12,583	\$686	\$5,790
II. Transmission and Distribution Expense						
Labor	456	394	10	404	5	47
III. Street Lamps	270	.....	270	270	....	.....
Total Increases	\$19,791	\$12,043	\$1,214	\$13,257	\$691	\$5,843
Total Increases per M. cu. ft.	0.168	0.160	0.203	0.164	0.185	0.173
Gas Sales, 1917, M. cu. ft.	118,134	74,625	5,978	80,603	3,736	33,795

Coast Gas Company—Increase in Rates for Gas.

TABLE V.—COAST GAS COMPANY.
REVENUE REQUIRED FOR 1918—ALLOCATED TO CLASSES OF SERVICE.

Items.	Total for entire company	Coast Gas Co.'s Customers		Shore Gas Co.	Lakewood Gas Co.
		Metered	Lamps		
Gas Revenue Required for 1917	\$144,152	\$109,771	\$10,580	\$4,675	\$19,126
Additional Costs for 1918 over 1917	19,791	12,043	1,214	691	5,843
Total Gas Revenue Required for 1918	\$163,943	\$121,814	\$11,794	\$5,366	\$24,969
Gas Sold, M. cu. ft.	118,134	74,625	5,978	3,736	33,795
Revenue for 1918 per M. cu. ft. sold	\$1.400	\$1.632	\$1.973	\$1.436	\$0.739

Coast Gas Company—Increase in Rates for Gas.

V. FIXED SERVICE CHARGE.

The company asks for a schedule of fixed service charges (without any gas) which will produce about \$20,000 on the basis of 1917 meter readings. Table V shows that the total revenue from the sales of gas on the basis shown for 1918 is \$121,814. Deducting \$20,900 from this amount leaves \$100,914 to be derived from the actual gas consumed. The revenue actually collected by the company, to which it proposes to add the fixed surcharge, if granted, was \$111,419, as may be seen by reference to Table III. The proposed schedule of fixed service charges would produce an excess revenue from metered customers of \$10,505. For this and other reasons the petition with respect to the proposed schedule of fixed service charges will be dismissed.

The Board is of the opinion that a more reasonable schedule of fixed service charges is that shown in Table VI following. In this table is shown the amount that would have been derived during 1917 from the meters read in that year if this schedule had been in effect. The basis of this schedule is a monthly charge of 25 cents for three and five-light meters, with an addition to this charge of one cent monthly for each one-light increase in the capacity of the meter through which gas is served. Table VI indicates that \$9,760 would have been collected during 1917 from such a schedule. Deducting the amount of \$9,760 to be derived from the service charge from the total revenue of \$121,814, indicated to be derived from metered sales on the basis of 1918 costs, leaves \$112,054 to be derived from the sales of metered gas only. This is almost exactly \$1.50 per thousand cubic feet of gas, which is the existing rate of the petitioner for metered customers. Relief may be afforded the company, then, by permitting it to file a schedule of service charges as shown in Table VI.

Coast Gas Company—Increase in Rates for Gas.

TABLE VI.—COAST GAS COMPANY.

METER READINGS

o. Lights	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Total	Fixed Service Charge	Revenue
and 5 ..	\$1573	\$1619	\$1671	\$1967	\$2436	\$3715	\$4696	\$4915	\$4677	\$2786	\$1966	\$1637	\$33,658	\$.25	\$8,414.50
and 10 ..	113	89	119	148	216	337	431	460	423	272	190	132	2,930	.30	879.00
and 20 ..	18	10	20	30	49	75	83	87	85	48	23	14	542	.40	216.80
30 ..	...	...	1	2	2	2	3	3	2	...	...	...	15	.50	7.50
45 ..	5	5	5	6	7	17	20	13	13	4	4	3	102	.65	66.30
and 60 ..	5	6	7	11	13	21	23	23	23	14	9	7	162	.80	129.60
100 ..	...	...	...	...	...	...	...	...	...	...	...	...	...	1.20	...
150 ..	...	...	...	...	...	...	...	...	...	...	...	...	...	1.70	...
200 ..	2	2	2	2	2	2	2	2	2	1	1	1	21	2.20	46.20
	\$1716	\$1731	\$1825	\$2166	\$2725	\$4169	\$5258	\$5503	\$5225	\$3125	\$2193	\$1794	\$37,430	....	\$9,759.90

Coast Gas Company—Increase in Rates for Gas.

Attention is called to the fact that the company used 1,242,300 cubic feet of gas during 1917. In this era of mounting costs, it behooves the company to cut this item to the minimum necessary for the economical conduct of the business of the company.

The Board therefore finds and concludes:

1. That, although this report indicates that in order to receive a return on the value of the property devoted to public use of 6%, it would be necessary to increase the total revenues from the sales of gas from \$138,021, received in 1917, to \$163,943 in 1918, an increase of \$25,922; yet for domestic metered consumption, it is only necessary to increase the revenue of \$111,419, received in 1917, to \$121,814, an increase of \$10,395 to obtain the 6% return. Inasmuch as the schedule of fixed service charges submitted by the company for approval is calculated to produce an additional revenue of upwards of \$20,000 from this class of customers, the petition as submitted will be dismissed, with permission to file a modified schedule of service charges as follows:

For each connected customer served through a three or five-light meter, a fixed service charge of 25 cents per month; for customers served through larger meters, an additional fixed service charge of one cent per one-light increase in the capacity of the meter, the schedule being more fully set forth in Table VI of this report. This schedule of fixed service charges includes no gas. It is further understood that this schedule of fixed service charges is a war surcharge to be added to the existing schedule of rates now in effect, hereinbefore recited.

2. This schedule of fixed service charges may be effective for sales made on and after the date of this report.

3. Acceptance by the company of the increases herein allowed will be taken as a stipulation that abrogation or modification of the war surcharge may be made as and if conditions as indicated by operating results warrant.

4. Beginning at the effective date of said schedule of rates, the company is to render reports monthly to the Board showing the Operating Revenues, Operating Deductions excluding General Amortization, Non-Operating Income, Income Deductions and balance available for Amortization, Dividends and Surplus and amount appropriated for General Amortization for each succeed-

Monmouth Lighting Company—Increase in Rates.

ing calendar month, with comparison with the figures for the corresponding month of 1917; and the Board will retain jurisdiction of the emergency or war surcharges as herein approved, for the purpose of modifying or abrogating them as and if the conditions change.

Dated June 19th, 1918.

No. 572.

APPLICATION OF THE MONMOUTH LIGHTING COMPANY TO INCREASE THE RATES IN SOUTH AMBOY TO EQUAL ITS STANDARD SCHEDULE ELSEWHERE.

An electric utility is allowed to put into effect an emergency surcharge to equalize the rates charged in South Amboy with those charged in other parts of its territory.

C. L. S. Tingley, for the petitioner.

The petitioner, in its application, alleges, among other things, the following:

“(2) That in the year 1917 the cost of maintaining and operating your petitioner’s light and power system increased nearly 50% over the year 1916, and will still further increase in 1918.

“(3) That for the year ended December 31st, 1917, your petitioner had operating revenue amounting to \$182,050.16, and net income of \$3,885.46.

“(5) That for many years your petitioner and its predecessor in title to the property, viz.: Middlesex and Monmouth Electric Light, Heat and Power Company, has maintained a lower schedule of charges for lighting purposes in the City of South Amboy than in the remainder of the territory served by it, to wit:

Monmouth Lighting Company—Increase in Rates.

“Consumer agrees to pay to company for all current used in each month at the following rates:

	1 to	50 kilowatts.....	10c.	per kilowatt hour
Over	50 to	100 kilowatts.....	9½c.	per kilowatt hour
Over	100 to	200 kilowatts.....	9c.	per kilowatt hour
Over	200 to	400 kilowatts.....	8½c.	per kilowatt hour
Over	400 to	600 kilowatts.....	8c.	per kilowatt hour
Over	600 to	1000 kilowatts.....	7½c.	per kilowatt hour
Over	1000 to	1500 kilowatts.....	7c.	per kilowatt hour
Over	1500 to	2000 kilowatts.....	6½c.	per kilowatt hour
Over	2000 kilowatts.....		6c.	per kilowatt hour

“Your petitioner therefore alleges that the foregoing schedule is unjust, unreasonable and unduly preferential and insufficient to allow your petitioner to furnish reasonable and adequate service and to maintain the integrity of its physical property.

“(6) That your petitioner desires to apply to the City of South Amboy the same schedule for lighting purposes which is applicable to the remainder of the territory served by it, which is as follows, to wit:

“Consumer agrees to pay to company for all current used in each month at the following rates:

	1 to	50 kilowatts.....	12c.	per kilowatt hour
Over	50 to	100 kilowatts.....	11c.	per kilowatt hour
Over	100 to	200 kilowatts.....	10c.	per kilowatt hour
Over	200 to	400 kilowatts.....	9½c.	per kilowatt hour
Over	400 to	600 kilowatts.....	9c.	per kilowatt hour
Over	600 to	1000 kilowatts.....	8½c.	per kilowatt hour
Over	1000 to	1500 kilowatts.....	8c.	per kilowatt hour
Over	1500 to	2000 kilowatts.....	7½c.	per kilowatt hour
Over	2000 kilowatts.....		7c.	per kilowatt hour

“It is estimated that the above schedule will produce about \$3,000 a year in additional income. Your petitioner, therefore, alleges that the proposed rates are just and reasonable.”

The matter was heard on May 7th, after due notice had been sent to each customer and a copy of the petition had been served on the municipal authorities of South Amboy, the only district affected by the proposed increase.

Monmouth Lighting Company—Increase in Rates.

At the hearing the petitioner agreed that the increase should be considered as an emergency surcharge. The proofs submitted did not include an appraisal of its property as required by Conference Ruling No. 15. With the exception of the property of the Monmouth Lighting Company, merged in 1917, the Board has an inventory and appraisal which will serve for portions of the property, but we request an inventory and appraisal of the property of the old Monmouth Lighting Company as of the time of the 1917 merger, be filed with the Board, together with details of additions to the new company from the date of the merger to July 1st, 1918.

The purpose of the petitioner is to equalize its rates in South Amboy with those in the greater portion of its territory and thus have a standard schedule throughout most of the territory served. The increases sought will amount to from \$3,000 to \$3,600 a year.

The Board concludes:

1. That it will permit the proposed schedule of rates to go into effect from the date hereof as an emergency surcharge, subject to the following provisions:

2. That the company will file with the Board on or before October 1st a competent inventory and appraisal of the property of the former Monmouth Lighting Company as of the date of its merger in 1917, in sufficient detail to permit same to be checked; also a continuation from the date of the said merger of the appraisal of the entire merged property to July 1st, 1918. Failure to file these appraisals within the stipulated time will automatically cancel the permission given in paragraph (1).

3. The Board will retain jurisdiction of the matter and continue the same on its calendar to October 23d, 1918, at Newark.

4. Beginning at the effective date of said schedule of rates, the company is to render reports monthly to the Board showing the Operating Revenues, Operating Deductions excluding General Amortization, Non-Operating Income, Income Deductions and balance available for Amortization, Dividends and Surplus and amount appropriated for General Amortization for each succeeding calendar month, with comparison with the figures for the corresponding month of 1917; and the Board will retain jurisdiction of the emergency or war surcharge as herein approved, for the purpose of modifying or abrogating it as and if the conditions change.

Dated June 19th, 1918.

People's Water Company—Approval of an Amended Ordinance.

No. 573.

IN THE MATTER OF THE APPLICATION OF PEOPLE'S WATER COMPANY FOR APPROVAL OF AN AMENDED ORDINANCE OF THE TOWNSHIP OF RARITAN.

A township ordinance granting a water company the right to use streets and highways for a water system was amended to exclude certain territory. Objection is made to approval on the ground that procedure did not comply with the "Limited Franchise Act" and that part of the territory included in the amended ordinance was not subject to the jurisdiction of the township:

Held: 1. The amended ordinance excluding territory included in the original ordinance and reducing instead of increasing the burden, notice was not required, the original ordinance having been in compliance with the act.

2. The amended ordinance was passed and accepted before the authority of the township ceased.

Ackerson & Ackerson, for petitioner.

Elmer H. Geran and *Charles R. Snyder*, for Keansburg Water Company.

Application is made for the approval of an ordinance to amend an ordinance entitled "An Ordinance to grant consent and permission to the People's Water Company, body corporate, to lay, construct and maintain water pipes and to construct, operate and maintain a water supply system and water works in the Township of Raritan, County of Monmouth and State of New Jersey," approved January 7th, 1916.

The Board in discussing the original ordinance in its report, dated April 28th, 1918, said:

"If the ordinance submitted excluded the territory now lawfully served by the Keansburg Company, the Keansburg Company being without authority to extend its system beyond the limits heretofore described, we should approve it. If the ordinance is amended to exclude the territory served by the Keansburg Water Company it would in the present situation receive our approval."

People's Water Company—Approval of an Amended Ordinance.

The People's Water Company did accordingly amend the original ordinance by changing the description of the territory embraced therein, so as to *exclude the territory served by the Keansburg Water Company and now submit the same for approval.*

Hearing was held at Trenton, December 4th, 1917; testimony produced and briefs of respective counsel filed.

The procedure adopted by the Township Committee was that provided for in an act entitled "An Act Concerning Townships" (Revision of 1899) (P. L. 1899, p. 372; 4 Comp. St., p. 5563, as amended by P. L. 1915, p. 348) which in part is as follows:

"20. No ordinance shall be introduced and finally passed at a single meeting of the Township Committee, but every ordinance that shall be introduced at any meeting of such committee shall lie over and shall not be finally passed except at a meeting or an adjourned meeting held at least three days subsequent to that at which it shall be introduced; every ordinance, after the same shall have been duly passed, shall be recorded by the Township Clerk, in a book to be provided for that purpose with a proper index, which book shall be deemed a public record of such ordinances and shall be and remain in the custody of the Township Clerk; every ordinance shall be signed in the said book by the chairman of the Township Committee and the Township Clerk, and shall be published once in a newspaper printed and circulating in such township, providing such newspaper be published at least once a week; or, if none such be printed in said township, then in a newspaper printed in the county and circulating in such township, and until such ordinance shall have been so published the same shall be of no effect."

The petitioner applied to the Township Committee for an ordinance amending the original ordinance in the form submitted for approval at a special meeting of the Township Committee held May 16th, 1917, upon notice, at the residence of a committeeman. The application of the company was presented. The amended ordinance introduced and passed first reading and then laid over to Saturday, May 19th, 1917; at this last-mentioned meeting of

People's Water Company—Approval of an Amended Ordinance.

the committee held at the usual meeting place of the committee, the ordinance received its second and third reading and was finally passed and accepted by the company (Exhibit P-2). The acceptance thereof was filed May 19th, 1917, with the committee and the ordinance was properly signed and recorded. It was published May 24th, 1917, in the "Keansburg Beacon," a newspaper printed in the county and circulating in the said township.

The ordinance is submitted to this Board for approval under Chapter 195, Laws of 1911, Section 24, which provides:

"24. No privilege or franchise hereafter granted to any public utility as herein defined, by any political subdivision of this State, shall be valid until approved by said Board, such approval to be given when, after hearing, said Board determines that such privilege or franchise is necessary and proper for the public convenience and properly conserves the public interests, and the Board shall have power in so approving to impose such conditions as to construction, equipment, maintenance, service or operation as the public convenience and interests may reasonably require."

The Keansburg Water Company objects to the approval of the amended ordinance by this Board, mainly upon two grounds:

(1) That the Township Committee in the enactment of the amended ordinance should have complied with P. L. 1906, p. 50, Comp. Stat., Vol. 3, p. 3562 and the acts amendatory thereof and supplemental thereto, the "Limited Franchise Act," so called.

(2) That at the time of the passage of the amended ordinance, an act entitled "An Act to incorporate the Borough of Keansburg, in the County of Monmouth," approved March 28th, 1917, was in effect, so that a large part of the territory included in the amended ordinance was not subject to the jurisdiction of the Township of Raritan, at the time of the passage of the amended ordinance on May 19th, 1917.

As to the first objection: In the matter of the Ordinance of Highland Park, P. S. Ry. Co., P. U. R., Vol. III, p. 488, this Board permitted the filing under Conference Ruling No. 8 of an amended ordinance of the Borough of Highland Park passed July

People's Water Company—Approval of an Amended Ordinance.

13th, 1914. The specific question there raised and determined was, whether or not, in the enactment of an amended ordinance (the original ordinance having been passed after notice and public hearing), compliance with the provisions of the Limited Franchise Act was necessary, or whether proceedings should be had *de novo*. The Board pointed out, based on authority therein cited, that the answer to that question depended on whether the action of the municipal authorities, in enacting the amended ordinance, was *legislative or judicial*. The action becomes judicial when private rights are affected. Private rights are affected only in case an additional burden is imposed on the land. The pertinency being this—if the action is judicial, notice is required, regardless of the statute; if legislative, notice is not required but for the statute.

The amended ordinance now under consideration *excludes* territory included in the original ordinance. Instead of increasing the burden it lessens it.

The action of the Township of Raritan, in enacting the amended ordinance on May 19th, 1917, was therefore legislative in character (and the original ordinance having been in compliance with the statute, i. e., based on notice and public hearing) the statute was complied with and at an end. The statute under which the amended ordinance was enacted requiring no notice, the proceedings adopted in the enactment of the amended ordinance were in accordance with the statutory requirements.

As to the second objection: This depends on when the power and authority of the township over the territory included in the amended ordinance embraced within the limits of the Borough of Keansburg ceased, and when the power and authority of the borough began.

Comp. Stat., Vol. 3, p. 3463, Sec. 2, provides in part:

“The officers of any township, village, town, borough, city or other municipality, any portion of which shall be included within the newly-created municipality, who shall hold office at the time of such incorporation, shall, until the Monday following the first election of officers in the newly-created municipality, continue to perform the duties

People's Water Company—Approval of an Amended Ordinance.

and possess the powers imposed upon or given to them by law within their respective municipalities, notwithstanding the creation or incorporation of such new municipality; on the first Monday following the first election of officers, held within the newly-created municipality the terms of office of the officers of any municipality the whole of which shall be embraced within the limits of such newly-created municipality, shall thereupon cease and be terminated, and said officers shall forthwith deliver over to the governing body of such newly-created municipality, immediately after their qualification, all books, papers, assets and property of every kind and description belonging to the said old municipality."

The election of officers was on May 15th, 1917, the first Monday following the election was May 21st, 1917. The amended ordinance was finally passed and accepted May 19th, 1917, so that the municipal (township) action was complete before the power and authority of the township ceased and terminated. The publication of the amended ordinance was inserted in the first issue of the "Keansburg Beacon" subsequent to its enactment, to wit, May 24th, 1917. The statute, however, does not require the municipality to cause the publication of an ordinance. The petitioner may do so and the ordinance fails to become effective, until published.

The Board will therefore give its approval to the said amended Ordinance and a formal certificate will issue.

Dated June 19th, 1918.

Atlantic City Suburban Gas and Fuel Company—Increase in Rates.

No. 574.

IN THE MATTER OF THE APPLICATION OF THE ATLANTIC CITY
SUBURBAN GAS AND FUEL COMPANY FOR AN INCREASE IN
RATES.

1. In considering an application by a gas company for approval of increased rates the sum of \$217,000 is taken as a fair figure with which to make comparisons between value of property and existing capitalization. The sum of \$10,000 is added to provide for needed repairs to mains and \$23,000 is allowed for intangibles, making \$250,000 as a basis for rate purposes.

2. Where the sum of \$16,500 is required above operating expenses and taxes to pay six per cent. on \$250,000 and provide \$1500 for depreciation and the existing rates provide but \$10,050 for this purpose, an increase is allowed.

3. The allowance of an increase is predicated upon the fact that the company will promptly install meters and supply service to all those whose premises are connected to its mains.

Jos. Thompson, for the petitioner.

L. D. Champion, for Pleasantville and Linwood.

H. W. Gill, for Northfield.

E. C. Evans, for Absecon.

O. T. Rogers, for Somers Point.

On February 11th, 1918, the Atlantic City Suburban Gas and Fuel Company filed with the Board a proposal to increase the rates charged for gas in the territory supplied by the company. The rate now charged is \$1.40 per thousand feet, with a rebate of 10%, if paid at the office of the company by the 10th day of the month. The proposed new rate is \$1.90 per thousand feet, with a rebate of 10% if paid at the office of the company by the 10th day of the month.

Atlantic City Suburban Gas and Fuel Company—Increase in Rates.

HISTORY OF THE COMPANY.

It appears that the Atlantic City Suburban Gas and Fuel Company is owner of a gas plant located in Pleasantville and is the distributing system which serves Pleasantville, Absecon, Northfield, Linwood, Somers Point and the intervening territory lying along the shore roads. The company also owns an electric plant serving practically the same territory.

In 1908 the Pleasantville Heat, Light and Power Company was formed for the purpose of leasing the property of the Suburban Company and providing the necessary additions and extensions.

Owing to the inability of the Pleasantville Company to keep the terms of the lease, the property reverted to the Suburban Company in January of this year.

VALUATION.

An appraisal of this property was made by Remington & Vosbury, the valuation being brought up to December 31st, 1917. Mr. Vosbury's cost to reproduce (including an omission), was \$288,379, and a present value after deducting depreciation of \$214,785. This appraisal is supported by details submitted to the Board. It has been carefully examined by the Board's engineers and appears to have been carefully made. Unit prices used are practically those current during the five-year period prior to the present era of high prices. The above appraisal was made for the municipalities. Mr. Alfred E. Forstall testified for the gas company. Mr. Forstall made an inspection of the plant and a careful examination of Mr. Vosbury's inventory and accepted Mr. Vosbury's inventory as being substantially correct. Mr. Forstall took exception, however, to a number of conclusions made by Mr. Vosbury. These exceptions deal generally with two points: the basis of the valuation and the deduction for accrued depreciation. As stated above, Mr. Vosbury's unit prices reflect sub-

Atlantic City Suburban Gas and Fuel Company—Increase in Rates.

stantially the costs during a five-year period before the war. Mr. Forstall contended that some consideration must be given to the increased costs now current. Mr. Vosbury deducted in connection with the appraisal of the Logan & Janeway Water Gas Set an amount of depreciation equivalent to 90%, while Mr. Forstall contended that the deduction should not exceed in any case 43%, as this set was actually needed for emergency service in case the other set should become disabled at any time. Testimony shows that the Logan & Janeway Set is not in proper working order and would require several days to put it into commission. There are other items of depreciation deducted by Mr. Vosbury to which Mr. Forstall took exception, but in view of the conclusions of the Board expressed hereafter, it does not appear to be necessary to make specific determination in regard to these details.

Making corrections for excessive deductions for depreciation in connection with the Logan & Janeway Set, it would appear that the amount of \$217,000 is a fair figure with which to make comparisons between value of property and existing capitalization referred to hereafter.

Much testimony was submitted showing that the leakage of gas was excessive, the average for the past six years having been not far from 40%. The estimated street main losses on a percentage basis may be misleading, however, in connection with a seashore company, where the bulk of the gas is sold during the summer months, but where the leakage goes on throughout the year. The leakage "per mile of main" is, however, excessive, and it would appear that a large part of this is due to the existence of many mains of considerable age. It was testified that the sum of \$10,000 should be allowed with which to repair the mains and reduce the leakage, which the Board concludes should be added to the basis of value mentioned above, making a total of \$227,000. This is accepted as a fair basis for computing the rates as of the present time. To this we allow \$23,000 or approximately 10%, for intangibles, making the sum of \$250,000, which we accept as the basis for rate purposes.

Atlantic City Suburban Gas and Fuel Company—Increase in Rates.

EARNINGS AND EXPENSES.

In a table, Exhibit A, expenses are given for years from 1912 to 1917. In that table we note that:

Gross Receipts Average (for six year period)	\$30,586
Operating Expenses for Past Six Years' Average	21,771
<hr/>	
This leaves a balance available for payment or interest; taxes, dividends, etc., of	\$8,815
Mr. Forstall (Exhibit R1, page 10) estimates the average saving which might have been possible if main leakage had been merely normal of	2,985
<hr/>	
Total net income with saving added averaged	\$11,800
From the above must first be deducted taxes.	
This appears to have averaged during the last four years	1,750
<hr/>	
Leaving a balance of	\$10,050
Available for payment of all interest charges, dividends and an allowance for depreciation reserve.	

In order that the company may meet its obligations and furnish satisfactory service, it will be necessary for it to obtain a net income which will allow a distribution approximately as follows:

Interest at six per cent. on a valuation of \$250,000 is.....	\$15,000
Allowance for depreciation (over and above ordinary maintenance) ..	1,500
<hr/>	
Total	\$16,500

This is in excess of the amount available—\$10,050—by \$6,450. This indicates an average rate of about \$1.60 for all gas sold.

Mr. Vosbury has calculated (see Exhibit D-2) that a rate of \$1.69 would be necessary in order to give the company a fair return on investment as figured by him. Such conclusion, however, is based upon the present inefficient and wasteful distributing system.

He also figures that a net rate of \$1.49 would yield a gross revenue sufficient to enable the company to meet all of its obligations if leakage was reduced to a fair normal average.

Atlantic City Suburban Gas and Fuel Company—Increase in Rates.

The company in 1917 had 1,784 customers. The Board has determined in a number of instances that a fair fixed service charge for customers served through three or five-light meters is 25 cents per month, and customers served through meters of larger capacity should pay one cent for each additional light of capacity. Assuming that the metered customers average ten monthly payments each,

The revenue from 1784 customers @ \$2.50 is	\$4,460
Leaving, to be raised from gas sales	1,990
Total increased revenue indicated above	\$6,450

The sales of regular meter gas during 1917 were 14,531 M. cubic feet at an average rate of \$1.27 per M. cubic feet; the sales of prepayment meter gas were 11,936 at an average rate of \$1.40. If the price for gas sold through the regular meters were raised to \$1.40, this 13 cents additional revenue on 14,531 M. cubic feet would produce an increased revenue of \$1,889, which is substantially the additional amount to be provided from the metered gas.

The Board therefore finds and concludes:

CONCLUSIONS.

1. That the petition, as filed, will be dismissed.
2. Valuation of property, including 10% for intangibles, is taken at \$250,000 for the purpose of this emergency application.
3. Excessive leakage requires that approximately \$10,000 be expended as soon as practicable, in repairs to the distribution system.
4. In order that the company may have sufficient reserve capacity, the Logan & Janeway Water Gas Set should be put in working order immediately.
5. This allowance is further predicated upon the fact that the company will promptly install meters and supply service to all those whose premises are connected to its mains.
6. That the petitioner may file a new schedule of rates as follows:

Atlantic City Suburban Gas and Fuel Company—Increase in Rates.

(a) GRADUATED SERVICE CHARGE.
(Without any gas.)

For each connected customer served through a three or five-light meter the company may charge 25 cents a month as a fixed service charge without gas. For customers served through larger sized meters this fixed service charge should be increased by an amount equal to one cent per month or 12 cents per year for each increase of one-light in the capacity of the meter above the said five-light capacity.

(b) In addition to the service charge the rate for metered gas shall be \$1.40 per thousand cubic feet, as a war surcharge.

7. That this new schedule may become effective for sales made on and after July 1st, 1918.

8. Acceptance by the company of the increases herein allowed will be taken as a stipulation that abrogation or modification of the war surcharge may be made as and if conditions as indicated by operating results warrant.

9. Beginning at the effective date of said schedule of rates, the company is to render reports monthly to the Board showing the Operating Revenues, Operating Deductions excluding General Amortization, Non-Operating Income, Income Deductions and balance available for Amortization, Dividends and Surplus and amount appropriated for General Amortization for each succeeding calendar month, with comparison with the figures for the corresponding month of 1917; and the Board will retain jurisdiction of the emergency or war surcharge as herein approved, for the purpose of modifying or abrogating the same as and if conditions change.

Dated June 26th, 1918.

Atlantic City Gas Company—Increase in Rates.

No. 575.

**ATLANTIC CITY GAS COMPANY, APPLICATION FOR APPROVAL OF
INCREASE IN RATES.**

1. In the absence of proof as to the value of the property of a gas company applying for approval of increased rates, the Board will not make a final determination.

2. An increased rate is allowed as a war surcharge on condition that by a date fixed an appraisal of the company's property shall be submitted.

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Norman Grey and Joseph A. Slattery, for the Atlantic City Gas Company.

Harry Wootton, for the City of Atlantic City and Borough of Longport.

J. S. Westcott, for Ventnor City.

Carlton Godfrey, for certain property owners.

On March 7th, 1918, the Atlantic City Gas Company filed a petition with this Board, asking:

1. That an order be made approving a rate to be charged for gas of not less than one dollar and thirty cents (\$1.30) per one thousand cubic feet, with a discount of ten cents (10c.) per one thousand cubic feet for prompt payment, or a service charge and a rate per one thousand cubic feet of gas in such amounts as the Board may find reasonable.

2. That the petitioner be permitted to make such service charge and reasonable rates as will realize a gross revenue in the amount of eight hundred thousand dollars (\$800,000).

3. That such rates, service charge, or either, or both, be put into effect at once, the company to set aside the amount collected above ninety cents (90c.) net per one thousand cubic feet in a special fund and return such

Atlantic City Gas Company—Increase in Rates.

amount to its consumers as the Board may after hearing determine is in excess of the fair and reasonable rates and service charge that should be made.

The existing schedule of rates of the Atlantic City Gas Company is as follows:

“The price of gas is \$1 per thousand cubic feet and a discount of 10 cents per thousand cubic feet of gas will be allowed on all bills paid by the 10th day of the month succeeding the month for which the bills are rendered. Every consumer whose total consumption of gas at any individual place of business in the twelve consecutive months ending June 30th shall exceed any of the quantities hereinafter specified, and whose total consumption between September 30th and June 30th of the said twelve consecutive months shall equal 50% of the amount on which discount is claimed, and who has paid all bills rendered during the said twelve consecutive months on or before the 10th day of the month next succeeding that for which the bills are rendered, shall be entitled at the end of the said twelve consecutive months to a refund to be paid by the company's check at the following rates in addition to the 10% discount regularly allowed on monthly bills:

For excess over 600,000 cubic feet, 5c. per thousand cubic feet.

For excess over 900,000 cubic feet, an additional 5c. per thousand cubic feet.

For excess over 1,200,000 cubic feet, an additional 10c. per thousand cubic feet.

For excess over 1,800,000 cubic feet, an additional 10c. per thousand cubic feet.

Above discount not allowed unless one-half of the total consumption is exclusive of the summer months, that is, between September 30th and June 30th.”

A number of hearings were held and the company submitted numerous exhibits showing increases in operating costs as compared with 1916. These were principally for fuel, oil and labor. The company's proof was submitted on the theory that the net revenue received by it in 1916 afforded a fair return on its property used and useful in the manufacture and sale of gas. The company, however, did not submit any valuation of its property

Atlantic City Gas Company—Increase in Rates.

to guide the Board in its determination as to whether the net revenue received in 1916 was fair or excessive in amount. It did submit evidence that its operating costs had very materially increased since 1916, but in the absence of direct proof as to the value of the property which is used and useful the Board will not at this time make a final determination in this matter.

In the opinion of the Board the proofs are sufficient to justify the following conclusions:

1. The petition will be dismissed.

2. The company, however, may file a schedule of rates adding as a war surcharge to existing rates the amount of 15 cents per thousand cubic feet of gas sold on or after the date hereof as hereinafter limited.

3. That in the event of acceptance of these findings by the company it shall file with the Board on or before November 1st, 1918, a competent appraisal of its property with sufficient detail to permit same to be checked showing (1) the reproduction value new with unit costs based on present prices, (2) the present value of same as of July 1st, 1918. Failure to file this appraisal on or before November 1st automatically cancels the permission hereinabove in paragraph (2).

4. The Board will retain jurisdiction of the matter and if the appraisal should not justify the findings herein the Board will then take such action as the facts may warrant.

5. Beginning at the effective date of said schedule of rates, the company is to render reports monthly to the Board showing the Operating Revenues, Operating Deductions excluding General Amortization, Non-Operating Income, Income Deductions and balance available for Amortization, Dividends and Surplus and amount appropriated for General Amortization for each succeeding calendar month, with comparison with the figures for the corresponding month of 1917; and the Board will retain jurisdiction of the emergency or war surcharge as here approved, for the purpose of modifying or abrogating same as and if the conditions change.

Dated June 26th, 1918.

Tuckerton Gas Company—Readiness-to-Serve Charge—Rehearing.

No. 576.

**TUCKERTON GAS COMPANY, IN THE MATTER OF THE PROPOSED
READINESS-TO-SERVE CHARGE—REHEARING.**

A gas company supplying but not manufacturing gas is allowed an increase in its rates, the Board having previously allowed the company from which the gas is purchased an increase in rates which affects the petitioner.

J. A. Riggins, for the petitioner.

On May 23d this Board dismissed the petition of the Tuckerton Gas Company in the matter of its proposed readiness-to-serve charge for reasons fully set forth in the Board's report in the matter.

The company has since filed an application for rehearing, which was granted.

The Tuckerton Gas Company does not manufacture gas at its plant, but purchases the same from the Ocean County Gas Company. The price at which it has purchased gas heretofore has been 80 cents per thousand cubic feet, the quantity being based on the consumption as shown by the records of the Tuckerton Gas Company.

Pursuant to a report of this Board in the matter of the application of the Ocean County Gas Company in re increased rates, the latter company has increased its charge per thousand cubic feet of gas to the Tuckerton Gas Company from the rate of 80 cents to \$1.05, thereby increasing the cost to the Tuckerton Gas Company 25 cents per thousand cubic feet.

An examination of the annual report of the Tuckerton Gas Company to the Board for the year ending December 31st, 1917, shows that the Tuckerton Gas Company had a gross corporate income of \$1,323.82, out of which it paid, for interest on funded debt, etc., \$1,304.75, leaving a net corporate income of but \$19.08. It appears necessary, therefore, for the Board to afford such temporary relief to the company as may enable it to pay its operating

Tuckerton Gas Company—Readiness-to-Serve Charge—Rehearing.

expenses and its fixed charges; failing to do which may throw the company into insolvency and impair its ability to furnish such service.

The Board will not grant the company permission to make a service charge because it has not an exact inventory and appraisal of the property and has not the necessary and sufficient information to properly fix the service charge.

The Board therefore finds and concludes:

1. That the Tuckerton Gas Company may add, as a war emergency surcharge to its existing schedule of rates, 25 cents per thousand cubic feet of gas sold.

2. This charge may be effective for sales made on and after July 1st, 1918.

3. Acceptance by the company of the increase herein allowed will be taken as a stipulation that abrogation or modification of the war surcharge may be made as and if conditions as indicated by operating results warrant.

4. Beginning at the effective date of said schedule of rates, the company is to render reports monthly to the Board showing the Operating Revenues, Operating Deductions excluding General Amortization, Non-Operating Income, Income Deductions and balance available for Amortization, Dividends and Surplus and amount appropriated for General Amortization for each succeeding calendar month, with comparison with the figures for the corresponding month of 1917; and the Board will retain jurisdiction of the emergency or war surcharge as herein approved, for the purpose of modifying or abrogating same as and if the conditions change.

Dated June 27th, 1918.

Increased Rate to Contracts—Public Service Electric Company.

No. 577.

**IN THE MATTER OF THE APPLICATION OF AN INCREASED RATE
TO CONTRACTS WITH PUBLIC SERVICE ELECTRIC COMPANY
FOR ELECTRIC POWER.**

Contracts for power having been made pursuant to rate schedules previously filed by an electric utility the question arises whether a new schedule of rates approved by the Board should apply.

Held: 1. Time of approval is not the essence of the rates at bar, but the determination that the same are just and reasonable is the important factor.

2. Independent of the contracts as to rates or service, or both, the Board had the power to determine that the rates were just and reasonable and exercised such power and the only rates now effectual are those filed under the Board's determination.

3. It was unnecessary to give special notice to every one affected of proposed increases in rates.

4. No rates under classification, or otherwise, exist by reason of any contractual relation between utility and individual, but by virtue of being lawfully fixed.

5. The paramount power of the State, through its agencies, to determine that rates are just and reasonable remains therein, and both utility and individual are prevented from the exercise thereof.

L. D. H. Gilmour and Frank Bergen, for Public Service Electric Company.

Clarence E. Case, for Manufacturers' Council of the State of New Jersey, Snead & Company Iron Works, Bound Brook Oil-less Bearing Company and Independent Lamp and Wire Company.

W. M. Dederich, for N. W. Kellogg & Company.

Freeman Woodbridge, for Wheeler Condenser and Engineering Company.

George B. Connelly, for Hightstown Electric Light and Power Company.

Arthur F. Egner, for Edison Storage Battery Company.

Increased Rate to Contracts—Public Service Electric Company.

N. J. Stroock, for Submarine Boat Corporation.

L. Edward Herrmann, for the Board of Public Utility Commissioners.

In order to clearly set forth the doctrines outlined in this determination, we shall first state the facts of the case, which are undisputed, and next, make treatment of the appertaining principles of utility law and regulation.

I.

FACTS.

The original proceeding was based on the respondent filing a new schedule of rates, proposing to obtain extra revenue thereby, and the Board's proceeding to hear and determine whether the proposed rates were just and reasonable. It was stipulated that the new schedules should not go into effect pending the decision of the Board, and, accordingly, no order of suspension was made pending the hearing.

The original application was treated as one growing out of extraordinary war conditions, resulting in abnormally high costs, and, after the taking of evidence, the Board made a determination dated February 27th, 1918, dismissing the petition and suspending the proposed rates, with leave to the company to file amended tariffs, providing for a war surcharge and coal clause.

The company filed an amended schedule of rates, in accordance with the Board's determination, and proceeded to make charges in accordance therewith.

The petitioners all hold power contracts, made pursuant to classified schedule of rates previously filed by the company, and which contracts were made subsequent to the passage of "An Act Concerning Public Utilities," and prior to the above determination.

This proceeding is in the nature of an inquiry as to whether the new schedule of rates should apply to power furnished the petitioners who hold said contracts.

Increased Rate to Contracts—Public Service Electric Company.

II.

UTILITY LAW AND REGULATION.

The following questions in main arise as to the result of the issue:

(1) Are the contracts or instruments in question subject to the Board's control?

(2) If so, does its determination, without order, permitting an amended schedule of rates to be filed (without special exception as to prior contracts made between utility and customer in relation to previously filed classified rates) permit charges to be made in accordance with the new schedule of rates?

The questions involved naturally lead to a general discussion as to what contracts are subject to the Board's control and the general principles of utility regulation incidental thereto.

AS TO QUESTION 1.

The right of the people, as a matter of necessity, to equally enjoy, without discrimination, the beneficial service of such business enterprises as are now known as public utilities was inherently vested in all the people in common, prior to the time when men found it necessary to make use of their faculties in federating for their common good, and prescribing, through legislative bodies, among other things, the great legal system incidental to public callings and their regulation.

Albeit, the failure of the people to fully appreciate these rights, through lack of demand, is evidenced by the tardy exercise thereof, nevertheless, they existed and were vested in all the people prior to the alleged creation of the so-called vested rights of individuals arising by reason of contractual relations.

The Legislature and its agencies have from time to time more clearly defined these existing rights by enunciating law and methods for their application.

Increased Rate to Contracts—Public Service Electric Company.

The power vested in the State, as a result thereof, is a part of the power to act for the promotion of the general welfare and common good of mankind and the protection of life, health and morals known as "police power."

The sovereign right of the commonwealth to exercise this "police power," as applicable to the beneficial use and control of public callings for the general welfare of the people, is paramount and supreme as far as unrestricted by constitutional limitations.

The principles above set forth are fundamental and are recognized by the Supreme Court of the United States in *Manigault vs. Springs*, 199 U. S. 473, of which the following is an excerpt:

"It is the settled law of this court that the interdiction of statutes impairing the obligation of contracts does not prevent the State from exercising such powers as are vested in it for the promotion of the common weal, or are necessary for the general good of the public, though contracts previously entered into between individuals may thereby be affected. This power which, in its various ramifications, is known as the police power, is an exercise of the sovereign right of the Government to protect the lives, health, morale, comfort and general welfare of the people, and is paramount to any rights under contracts between individuals."

It undoubtedly follows, especially in view of the recent decision of the New Jersey Court of Errors and Appeals, March term, 1918, in the case of *Atlantic Coast Electric Railroad Co. vs. Board of Public Utility Commissioners and Bradley Beach*, that the contracts in question, all made subsequent to the passage of "An Act Concerning Public Utilities," fall within the rule and are subject to the State's paramount power of regulation.

AS TO QUESTION 2.

In deciding query 2, we are led to a careful examination of such parts of "An Act Concerning Public Utilities" as are applicable to the fixing of rates and filing of schedules.

Increased Rate to Contracts—Public Service Electric Company.

The following are excerpts of said act, to which attention has been directed:

“16. The Board shall have power—

“(c) After hearing, upon notice, by order in writing, to fix just and reasonable individual rates, joint rates, tolls, charges or schedules thereof, as well as commutation, mileage and other special rates which shall be imposed, observed and followed thereafter by any public utility as herein defined, whenever the Board shall determine any existing individual rate, joint rate, toll, charge or schedule thereof or commutation, mileage or other special rate to be unjust, unreasonable, insufficient or unjustly discriminatory or preferential.

“(d) To require every public utility as herein defined to file with it complete schedules of every classification employed and of every individual or joint rate, toll, fare or charge made, charged or exacted by it for any product supplied or service rendered within this State, as specified in such requirement.”

Sec. 17. “(h) When any public utility as herein defined shall increase any existing individual rates, joint rates, tolls, charges or schedules thereof, as well as commutation, mileage and other special rates, or change or alter any existing classification, the Board shall have power either upon written complaint or upon its own initiative to hear and determine whether the said increase, change or alteration is just and reasonable. The burden of proof to show that the said increase, change or alteration is just and reasonable shall be upon the public utility making the same. The Board shall have power pending such hearing and determination to order the suspension of the said increase, change or alteration, until the said Board shall have approved said increase, change or alteration, not exceeding three months. It shall be the duty of the said Board to approve any such increase, change or alteration upon being satisfied that the same is just and reasonable.”

Increased Rate to Contracts—Public Service Electric Company.

A. Affect of the Board's Determination.

The former rates filed under classified schedules were the existing rates prior to the Board's expression of approval (by its determination that the increased rates were just and reasonable), not because they were set forth in contracts or instruments in writing made between the parties, but because they were the only legal existing rates in force between the parties.

The act permits the utility to file a new schedule of rates. This was done, and the Board, by virtue of the act, inquired as to whether the rates were just and reasonable. It refused to approve the new schedule, but, by its determination, decided that certain increased rates or war surcharges were just and reasonable, and permitted new schedules to be filed in accordance therewith. The rates became effective, because the Board had determined their justness and reasonableness.

The contracts, if legally existing, were subject to the Board's control, as to rates.

The Board having once expressed its approval of new rates, by its determination that the same were just and reasonable, it is unnecessary for a second expression to be made. *Time of approval is not the essence of the rates of the case at bar, but the determination that the same are just and reasonable is the important factor.*

No matter what view is taken, it is certain that independent of the contracts or instruments as to rates or service, or both, this Board had the power to determine that the rates were just and reasonable, and exercised such power, and the *only rates now effectual are those filed under the Board's determination.*

B. Justness and Reasonableness of Rates.

It appears that this matter has already been adjudicated in the original application, when the Board determined, pursuant to power given it under "An Act Concerning Public Utilities," that the increase in rates was just and reasonable.

Increased Rate to Contracts—Public Service Electric Company.

Subsequent to the Board's determination of February 27th, 1918, an application was made to this Board for a rehearing in the matter of Schedule of Rates of the Public Service Electric Company and Public Service Gas Company, on different grounds. The application was denied; the Board deciding that the higher rates would be necessary to afford the needed revenues to cover fixed charges for the calendar year, as evidenced by its report in the last proceeding dated May 1st, 1918. The Board had already decided by its previous determination of February 27th, 1918, that an increase of revenue was necessary, by reason of abnormal times under war conditions, and that the increase in rates should affect only the power customers, since the elements of increased costs entered into this service to a larger proportion than into the lighting service; and further, that the said increase should be in the form of an addition of a war surcharge to the bills, as determined under the former rate schedules.

The accepted meaning of the word "regulate" is to adjust—meaning to change from time to time according to the circumstances and conditions, and the power given this Board is presumed to be exercised according to the exigencies of the times. It is fundamental that fixed contracts for stipulated rates are antagonistic to regulation.

If conditions warranted, and the proposed increased rates were just and reasonable, this Board was duly bound to permit the emergency war surcharge, under the existing abnormal times; and, likewise, it would be duty bound to decrease the same, under more propitious conditions. It is needless to say that in the latter case the utility company could not avail itself of its contracts for higher rates.

These rates will remain the lawful rates until new rates are established, pursuant to law. The Board could order a rehearing in this case, but this would be fruitless, as no new matter has been alleged to warrant a decision that the existing rates are not just and reasonable. The petitioners rely on their contracts or instruments, which this Board feels it is prevented from recognizing.

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C. Notice.

Question has been raised by counsel for power customers as to the notice given of the filing of new schedule rates and an investigation of the reasonableness thereof by this Board, claiming that in some cases no notice was received, and that in cases of contracts, it was necessary to give notice to each of the holders thereof.

Under subdivision (*h*), paragraph 17, P. L. 1911, "An Act Concerning Public Utilities," it does not appear that it is necessary *for any notice* to be given in a proceeding to hear and determine whether an increase, change or alteration in rates is just and reasonable; but on the increase of the rates the Board has power, upon written complaint, or upon its own initiative, to hear and determine the justness and reasonableness of the rates, and also power pending the hearing and determination, to order a suspension of the increase.

It is claimed, however, that subdivision (*c*), section 16 of the said act applies, which provides for hearings *upon notice*, by order in writing, to fix just and reasonable rates, &c.

Assuming that notice is necessary, an inspection of the records in the original case indicates that substantial notice of the application was given, through newspapers and otherwise, of the proposed increase of rates and hearing. A number of municipalities and organizations, such as Boards of Trades, Chambers of Commerce, and also the "Manufacturers' Council of New Jersey," were personally represented at the hearing.

Petition was filed on February 5th, 1918; the cause set down for hearing and considerable testimony taken, and determination of this Board made on February 27th, 1918.

Whether or not notice was required, it is elementary that it was unnecessary to give special notice to every one affected, because, if this were required, it would be necessary in the fixing of all rates, or determination of the reasonableness thereof, to give notice to every patron of the utility that might be affected thereby. This is impracticable, and would be impossible in the majority of cases; for instance, on an application for increase or decrease of rates for

Increased Rate to Contracts—Public Service Electric Company.

a traction company, can it be said, forsooth, that in such a case this Board could not fix a rate, or determine the reasonableness thereof, without giving special notice to every trolley patron? If such were the case, this Board would have power it could not exercise. The Board could not presume to have power and deny its jurisdiction to an exercise thereof. The powers of utility regulation are so universally connected with the welfare of all members of society, as such, that this Board obtains jurisdiction of the subject-matter without giving special notice to each individual affected.

The holders of contracts who knew of the hearing and did not question the increase, apparently relied on their power contracts. It is needless to reiterate that these contracts were made, and are subject to the Board's paramount right to regulate rates by an increase or decrease thereof.

D. Rates Under Classified Schedules.

Discriminations, &c.

It is unnecessary to discuss that classification as to rates is proper and lawful, and not discriminatory, so long as fixed and determined pursuant to lawful authority. We are in accord with that view. We are also of the opinion that the present case is not within the principles outlined in *Armour Packing Co. vs. United States*, 209 U. S. 56, decided under interstate commerce regulation.

No rates, under classification, or otherwise, exist by reason of any contractual relation between utility and individual, but by virtue of being lawfully fixed.

It is contended that frequently rates are fixed by railroads that are not effective as to mileage books already issued, but, at the same time, it cannot be gainsaid that it is unlawful in the exercise of utility regulation to fix a rate that would not effect the same, nor is attention directed to decisions to that effect. The determining body in these particular cases doubtless allowed the mileage book rates, not because of the contractual relations between the parties, but rather because they were just and reasonable and prop-

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erly within similar classified rates, to which petitioners now take refuge.

The paramount power of the State, through its agencies, to determine that rates are just and reasonable, remains therein, and both utility and individual are prevented from the exercise thereof.

The approval of fixed contract of the character described is antagonistic to the true spirit of utility rule and regulation produced through many ages of broad constructive effort for the benefit of all people in common. *If otherwise, the utility and individual could indirectly do what they could not directly accomplish.*

Assuming that the regular rates for domestic lighting were unreasonably low, yet protected by contract, and the power rates were abnormally high and unprotected by contract, and, in order to equalize the same, it became necessary to raise the rates for domestic lighting, would the State be defeated from exercising justice because of the contract?

Assuming that the rates for all classes of customers were just and reasonable, but, by reason of war conditions, it became necessary to make a horizontal increase in all rates, would this Board be prevented from raising the rates of one class of customers, because of the existence of contracts similar to those under discussion?

In the present case, the Board decided it was just and reasonable to approve of a war surcharge on one class of rates. If the Board properly exercised its judgment, its determination cannot be impeached. Utility regulation contemplates the administration of the State's power to regulate, and not the defeat thereof by the parties whose rates are being determined. If otherwise, the burden of increased costs on a utility with one thousand customers could be shifted by nine hundred and ninety-nine contract customers to the one customer without a contract, possibly resulting in the suspension of that beneficial service to the public it is the functional duty of all regulatory bodies to insure.

Reference has been made to the New York Steam Company case, decided by the New York Public Service Commission, First District, P. U. R. (annotated), Vol. 1918, E. No. 4, p. 865, which holds: "A public utility cannot, by filing a new schedule, abrogate rate contracts lawfully made, pursuant to a former schedule," &c.

Increased Rate to Contracts—Public Service Electric Company.

A careful examination of the case, however, indicates that there is some distinction between it and the present case. It appears that the New York Public Service Commission law provides as follows:

“Unless the Commission *otherwise orders, no change shall be made* in any rate or charge, or in any form of contract or agreement or any rule or regulation relating to any rate, charge or service, or in any general privilege or facility, which shall have been filed or published by a steam corporation, person or municipality in compliance with an order of the Commission, except after thirty days’ notice to the Commission and the publication for thirty days as required by order of the Commission, which shall plainly state the changes proposed to be made in the schedule then in force and the time when the change will go into effect. The Commission for good cause shown may allow changes without requiring the thirty days’ notice under such conditions as it may prescribe.”

Under this provision, it is customary for the New York Commission to grant a “special permission” for putting into effect a rate schedule or supplement, without in any way passing upon the justness or reasonableness of the rates or rate regulations therein provided. Hence, the Commission acted ministerially under said section, and did not pass on the rates until the subsequent investigation.

It was stated in the New York report that the contracts were valid, and not unduly discriminatory when entered into. It should be noted that the New York Commission did not make any finding as to whether the new rates were just and reasonable, until it investigated the matter for the purpose of making the decision herein mentioned, when it decided negatively:

“2. That the schedule of June 1st, 1917, is unjust, unreasonable and unlawful, in so far as it does not provide a separate classification for contracts in force on that date and made in conformity with the schedule effective November 1st, 1916.”

It appears that the decision of the New York Commission, which holds that the schedule of June 1st, 1917, is unjust and unreasonable, was based largely on its judgment on the facts and merits of

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the case, and not necessarily on a legal presumption that the contracts were paramount to the State's right of control.

It is pertinent to call attention that the New York Commission contemplates a further investigation of the schedule rates and charges, as is evidenced by the following statement in its decision:

“With respect to the reasonableness generally of the basic rates and charges set forth in the schedule, further hearings are to be held, and no determination thereon is here made.”

Allusion is made in the New York Steam Company's decision, to mileage rates and commutation rates, stating that it is a practice to permit the use of books and tickets which were outstanding at the time of the increase, until their expiration, indicating that by reason of this practice, and no complaints thereunder, it is persuasive that the prevalent view is that such contracts are in a separate class and not affected by new tariffs.

The fact that it is also a frequent practice to stipulate in contracts that the right to enforce the contract is subject to the State's power of regulation—in our judgment also indicates that the State's paramount right of control is recognized.

It may not be amiss to state that the contract riders subsequently attached to the New York Steam Company schedules, though not affecting the particular case decided, had a similar clause inserted therein. It is our opinion that the State's paramount right of control is a condition implied by law in all contracts of this character, even though not stipulated therein.

The Board, in the exercise of its judgment on the facts and merits of the case by its determination of February 27th, 1918, affirmatively decided that said rates were just and reasonable. In view of the Board's opinion that it is equitable that the war surcharge, or emergency rate, should affect all power customers, and is just and reasonable, as evidenced by its said former report and these conclusions, and the further fact that contracts of the character under discussion are antagonistic to the true spirit of utility regulation (in the absence of further clarification by judicial decree of the recent decision of the New York Commission), we follow the broad principles of utility law and regulation evidenced by judicial promulgation.

New York, Susquehanna and Western Railroad Company—Transfer on Books.

The Board, therefore, finds and determines that the new schedule of rates filed by the respondent company, pursuant to the determination of the Board dated February 27th, 1918, should, and does, affect all power customers.

Dated June 29th, 1918.

No. 578.

IN THE MATTER OF THE APPLICATION OF THE NEW YORK, SUSQUEHANNA AND WESTERN RAILROAD COMPANY ET AL., FOR CONSENT TO TRANSFER ON THE BOOKS OF THAT COMPANY CERTAIN SHARES OF ITS STOCK TO ERIE RAILROAD COMPANY.

1. Permission is given to the New York, Susquehanna and Western Railroad Company to transfer on its books preferred and common stock to the Erie Railroad Company held by the latter.

2. The Board refuses to give a blanket approval and consent to the transfer of stock of the petitioner to the Erie Railroad Company not now held by it.

Gilbert Collins and Geo. H. Minor, for petitioner.

Chas. S. Noyes, for Est. of A. Rosenbaum and others.

Oliver C. Carpenter, for Est. of Anna K. Gilman.

A petition was filed with this Board by New York, Susquehanna and Western Railroad Company, a consolidated railroad corporation of the States of New Jersey and Pennsylvania, under a consolidation agreement dated April 5th, 1893, which alleges that its authorized capital stock consists of thirteen million dollars (\$13,000,000) par value of common stock, and thirteen million dollars (\$13,000,000) par value of preferred stock; that it is the third company of that name, being the consolidation of the New

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York, Susquehanna and Western Railroad Company with the Hudson River Railroad and Terminal Company, the then existing New York, Susquehanna and Western Railroad Company having been formed by a consolidation of another company of the same name with the Blairstown Railway Company under agreement dated December 22d, 1882, the then existing or first New York, Susquehanna and Western Railroad Company being formed by consolidation under agreement dated April 26th, 1881, of the Midland Railroad Company of New Jersey, the Paterson Extension Railroad Company, the Midland Connecting Railroad Company, the North Jersey Railroad Company, Water Gap Railroad Company, and the Pennsylvania Midland Railway Company; that each of said agreements provided for the exchange and transfer of securities, and that most of the said exchanges have long since been made; that in or about the year 1898 Erie Railroad Company acquired and still holds in its name approximately ninety-eight per cent. (98%) of the common stock and over ninety-nine per cent. (99%) of the preferred stock of the petitioner company, now outstanding.

That the Erie Railroad Company has acquired from time to time \$14,500 par value of the common stock and \$2,800 par value of the preferred stock of the petitioner, but that the same has never been transferred to its name on the books of the petitioner; that the said Erie Railroad Company also owns \$1,776 par value of Midland Railroad Company bonds and scrip and \$4,766 par value of said Midland Railroad Company stock, for the conversion of which stock of the petitioner is held by the trustees under the consolidation agreements aforesaid; that no dividends are paid either on the common or preferred stock of the petitioner; that the estate of Albert S. Rosenbaum and others own bonds and scrip of the Midland Railroad Company to the amount of \$102,999, which has been the subject of litigation in the courts of the State of New York between the representatives of the estate of the said Albert S. Rosenbaum and the petitioner; that a settlement thereof has been reached whereby the parties propose to exchange their bonds and scrip for the stock of the petitioner held by the trustees for that purpose and to then dispose of the stock so received to the Erie Railroad Company; that the Erie Railroad Company has

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agreed with the parties to acquire the stock of the petitioner when acquired by it; that Frazier Gilman, as administrator of the estate of Anna K. Gilman, owns one hundred and thirty-four (134) shares of the preferred stock of the petitioner and desires to dispose thereof to the Erie Railroad Company.

The petitioner therefore requests approval to the transfer by it to the Erie Railroad Company of the shares of its capital stock, and further to approve of the transfer to Erie Railroad Company of the shares of the capital stock of the petitioner mentioned in its petition "when and as such transfer shall be requested by said Erie Railroad Company and the owners of said stock."

Charles S. Noyes, representing Henry C. Rosenbaum and Solomon K. Lichtenstein, as trustees under the last will and testament of Albert S. Rosenbaum, deceased; Edward Lester, Frank Olcott and Sheldon W. Ball, the owners in the aggregate of \$102,999 par value of bonds and scrip of the Midland Railroad Company referred to in the petition, join in the petition and request that the same be granted, as does Mr. Carpenter, representing Frazier Gilman, administrator of Anna K. Gilman, the owner of one hundred and thirty-four (134) shares of the preferred stock of the petitioner.

After full hearing of the facts, there appears to be no reason why this Board should not approve of the transfer of the stock now owned by the Erie Railroad Company to it, and which has never been transferred to its name on the books of the petitioner, aggregating \$14,500 par value of the common stock and \$2,800 par value of the preferred stock, nor of the stock which is held by the trustees under the consolidation agreement to be exchanged upon the terms thereof for \$1,776 of the Midland Railroad Company bonds and scrip and \$4,766 of the Midland Railroad Company stock owned by the Erie Railroad Company as well as for the stock of the petitioner now in the trustees' hands for exchange and conversion according to said consolidation agreement for bonds and scrip in the amount (aggregate) of \$102,999 of the Midland Railroad Company of New Jersey owned by Henry C. Rosenbaum and Solomon K. Lichtenstein, as trustees under the last will and testament of Albert S. Rosenbaum, deceased; Edward Lester, Frank Olcott and Sheldon W. Ball, as well as the one hundred and thirty-four

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(134) shares, par value \$13,400, of the preferred stock of the New York, Susquehanna and Western Railroad Company, but that it will be rather to the advantage of all concerned.

We will therefore approve and consent that these transfers be made. A certificate of approval will issue.

As a matter of policy, however, the Board declines to give a blanket approval and consent to the transfer of stock of the petitioner to the Erie Railroad Company not *now* held by it.

Dated July 8th, 1918.

No. 579.

ROSS MILLER ET AL.

VS.

MERCHANTVILLE WATER COMPANY.

The time is extended for complying with an order of the Board requiring an extension of facilities to supply water, it appearing that the costs of labor and materials have greatly increased since the order was entered; that the company is a small one and that to require the extension to be made under present conditions would result in a capital investment, which would have to be considered in adjusting the rates charged all those served by the company, and which would not be justified by additional revenue accruing from the extension.

L. Smith, for the petitioner.

Lewis Starr, for respondents.

On March 19th, 1917, this Board made an order which contained the following:

“The Board, after hearing finds that the Merchantville Water Company should establish, construct, maintain and operate an extension of its existing facilities in the Township of Pensauken, to wit:

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"Out Westfield Avenue, across Derousse Avenue to Morrisville Avenue; thence northerly on Morrisville Avenue to the last house now built in the Morrisville section of the said Pensauken Township, and so orders. * * * * *

"The work contemplated by this order shall be completed *not later than August 31st, 1917.*

"This order shall become *effective April 20th, 1917.*"

On application of the company and after hearing, the Board, on October 30th, 1917, changed the effective date of said original order to *May 1st, 1918.*

The company now makes application for a further extension of the effective date of said order for the reason that the costs of labor and material have increased to such an extent as to make the doing of the work contemplated by the order practically prohibitive.

Hearing on this application was held at Trenton on April 30th, 1918. Testimony was taken.

The Board does not doubt, in fact, it is common knowledge that due to the war conditions costs both of labor and material have greatly increased since the original order took effect, April 20th, 1917. At that time the work contemplated by the order would have cost approximately three thousand dollars. At present prices it would cost approximately seven thousand dollars.

The Board, therefore, will not insist that the work contemplated by the original order shall be completed forthwith. The Board reluctantly reaches this conclusion because there is no question but that those it was contemplated would be served are within territory to which, under normal conditions, the company should extend its facilities. It appears also that if the company had made a diligent and bona fide effort to construct the extension promptly after the original order took effect, the work contemplated by the order would have been completed before August 31st, 1917, at a reasonable investment cost. Instead of doing this the company deferred beginning the work, apparently relying upon the judgment of others that costs of labor and material might decrease. The conduct of the company is hereby disapproved as meriting no leniency. The Board feels, however, that it would not be justified in insist-

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ing at this time that the company should complete the work contemplated by the order at present excessive costs. The company is a comparatively small one and to require it to make the extension under present conditions would result in a capital investment which would have to be considered in adjusting the rates charged all those served by the company and which would not be justified by additional revenue accruing from the extension. Apart from this, beneficial as the extension would be to those desiring it, it cannot be regarded as of such imperative necessity as to justify the employment of labor and the use of materials when both are in great demand in activities directly related to the conduct of the war. As the Board understands it, it is the general public policy to defer, under present conditions, construction work not imperatively needed or related to war activities..

In view of the foregoing, the Board will postpone the fixing of the effective date of the order dated March 19th, 1917. This is not intended to relieve the company from eventually complying with the order. The Board will keep in touch with the situation, and as soon as conditions change to such an extent as to justify a requirement that the work shall be done, an effective date will be fixed.

Dated July 9th, 1918.

No. 580.

**IN THE MATTER OF THE APPLICATION OF THE ELIZABETHTOWN
GAS LIGHT COMPANY, CRANFORD GAS LIGHT COMPANY,
METUCHEN GAS LIGHT COMPANY, RAHWAY GAS LIGHT COM-
PANY FOR INCREASED RATES.**

Four gas companies, one of which owns all the stock of two, and three-quarters of the stock of the remaining company, joining in a petition for increased rates ask that they be considered as one company.

It appears that dividends have been paid only upon the stock of the company which owns the stock of the others; that at existing rates all fixed

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charges of the four companies could be met and a dividend of fourteen per cent. paid on the stock of the owning company, or five and a half per cent. on the combined stock of the four companies.

Held: 1. There is nothing before the Board to show that the capitalization is below the value of the property to such an extent as to make this an unfair return.

2. Without an increased rate the petitioners will have no difficulty in meeting operating expenses and interest charges, and providing a liberal return upon all outstanding capital.

3. There seems to be no reason why improvements and extensions should not be made from accumulated surplus which appears from the companies reports to be ample for the purpose.

4. In so far as such improvements and extensions constitute additions to plants which properly may be capitalized there would seem to be no difficulty in having them represented by security issues. To the extent that they represent deferred maintenance they should be made from accumulated funds without increasing capital charges.

F. J. Faulks, for the petitioners.

Joseph T. Hague, for the City of Elizabeth.

J. J. Stamler, for certain taxpayers of the City of Elizabeth.

F. M. Pearse, for Metuchen.

Hyer & Armstrong, for Rahway.

The above-named companies filed a joint petition with the Board, in which they state:

On behalf of Elizabethtown Gas Light Company, Cranford Gas Light Company, Rahway Gas Light Company and Metuchen Gas Light Company, they are supplying illuminating gas and are now facing increased costs for materials and labor approximating from \$75,000 to \$100,000 per year, and increased taxes, federal, state and municipal, approximating \$35,000 per year, amounts equal to 12 to 16 cents per one thousand cubic feet of gas sold, for which reasons they ask permission to charge their consumers an increased rate of at least 10 cents per one thousand cubic feet over the present rates, which are

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50 cents for 500 cubic feet or less per month.

600 to 99,900 cu. ft. per month @	\$1.10 per 1000 cu. ft.
100,000 to 199,900 cu. ft. per month @	1.05 per 1000 cu. ft.
200,000 to 299,900 cu. ft. per month @	1.00 per 1000 cu. ft.
300,000 to 499,900 cu. ft. per month @	.95 per 1000 cu. ft.
500,000 cubic feet or more @	.90 per 1000 cu. ft.

with a discount of 20 cents per 1,000 cubic feet if bill is paid within ten days after presentation.

The companies gave notice in the Elizabeth newspapers of the application and the date of the first hearing before the Board.

On March 27th the petitioners filed the following amendment to their original petition, viz.:

“Pursuant to the leave given by your Honorable Board at the hearing in the above matter on March 20, 1917, the undersigned, the petitioners therein, hereby amend their application, dated March 5, 1918, by adding thereto a paragraph reading as follows:

“‘This application is made solely as a war emergency measure and is due to the increased cost to the applicants of labor and of materials and supplies of all kinds over the cost thereof for the year 1917. Under the present filed rates of the applicants their net earnings for the year 1918 by reason of such increased cost due to the existing war will be insufficient to enable them to make necessary improvements to their plants and systems, or to provide a fair, if any, return to their stockholders upon the capital employed in the business.’”

The rates above cited were filed by the company pursuant to certain recommendations made by the Board in order to eliminate objections raised with respect to the schedule of rates in force prior to June 14th, 1914. The Board in its report of that date made the following statement:

“Inasmuch, however, as no testimony was taken to ascertain what would be a just and reasonable rate for gas served by each of the respondent companies, the Board desires to have it understood that in permitting the company to put in operation the revised schedule of rates it does not pass upon the question of the justice and reasonableness of the base rates established.”

Elizabethtown Gas Light Company, &c.—Increased Rates.

Counsel for the four petitioners, in the present application, made the following statement:

“Now I think perhaps it would be best to state next the relation of these various companies to each other. They are all companies existing under special charters granted fifty or sixty years ago (I won't attempt to give the year) a great many years ago by the Legislature. The Elizabethtown Company operates in the City of Elizabeth, the Township of Linden, the Borough of Linden, the Borough of Roselle, the Borough of Roselle Park, Hillside Township and Union Township.

“Now that company has gas works in Elizabeth from which gas is supplied to all the territory in which it operates, as just mentioned. It owns all of the stock of Cranford Gas Light Company, which operates in Cranford and its immediate vicinity, Cranford, Westfield, Garwood, Kenilworth, Clarke Township, Fanwood, Fanwood Borough and Fanwood Township.

“It also owns all the capital stock of the Metuchen Gas Light Company, another applying company, which operates in Metuchen and Raritan Township.

“It also owns approximately three-quarters of the capital stock of the Rahway Gas Light Company, which operates in Rahway alone.”

In addition to supplying gas to the four petitioners at the base rate of 90 cents net, the Elizabethtown Gas Light Company sold, during 1917, 96,309,500 cubic feet of gas to the Perth Amboy Gas Light Company at a wholesale rate of 50 cents per thousand cubic feet.

The petitioners base their application on the fact that the cost of labor and material used in the manufacture and delivery of gas very largely increased during 1917 and, especially during 1918; that the Elizabethtown Gas Light Company must provide an entire new gas generating set, costing approximately \$200,000, and must make extensions estimated to cost \$75,000 during the year 1918.

Counsel also asked that the petitioners be considered as a single company.

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The petitioners did not submit any evidence as to the value of their properties, and the Board cannot, on the record before it, pass upon the question what income should be obtained to provide a reasonable return upon the fair value of the properties used in the service of the public.

This question, moreover, is not now before the Board, except as it may be involved in the petitioners' plea that the net earnings for the year 1918

“will be insufficient to enable them to make necessary improvements to their plants and systems, or to provide a fair, if any, return to their stockholders upon the capital employed in the business.”

It is incumbent upon the Board to determine whether in view of this plea increased rates should be allowed. In making such determination, we will, for the purpose of this proceeding, accede to the petitioners' request that the four companies petitioning shall be considered as a single company. We will, therefore, consider the combined interest charges of the companies; the total of their gross incomes at existing rates and the question whether, from this total, interest charges can be met, improvements and extensions made and a return allowed holders of the companies' stocks. We must, furthermore, in considering the expenditures contemplated for improvements and extensions, have regard for the questions whether these expenditures should be made from current earnings or accumulated funds or whether they are of such a nature that they may be properly capitalized. The Board will assume that the sums referred to, namely, \$200,000 for a new gas generating set and \$75,000 for extensions are reasonable. Needed expenditures made for purposes such as these, in so far as they increase the productive capacity of the petitioners' plants may properly be met from the proceeds of the sale of additional securities. In so far as they are necessary to keep the plants up to a condition of normal efficiency to meet present demands, they should be made from accumulated funds, if available, rather than from an added burden imposed upon the public. It is true conditions at times develop so that the revenues of some utilities become insufficient to admit of needed expenditures for maintenance and of the accumulation of an adequate depreciation fund. In such cases

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the public must either pay a higher rate, the utility make expenditures which will result in insolvency, or the service continue to progressively deteriorate.

It is in the interest of the public as well as the shareholders that the bankruptcy of public utilities should be avoided. Insolvency and adequate service are incompatible. If, however, the public is called upon to pay higher rates to obtain adequate service and provide for current maintenance and depreciation, it should clearly appear that the conditions are such as to make this just and reasonable.

With respect to the four companies under consideration it appears from their reports for the last year their interest charges were \$10,995. This includes interest on funded debt and other indebtedness. It is estimated that the combined gross corporate income of the four companies for the year 1918 will be \$53,879. There has been no increase in the companies' funded debts since 1917, nor does it appear that the floating indebtedness has increased to a material extent so that additional interest charges must be met. Allowing, therefore, the same amount for interest in 1918 as was paid in 1917, the four companies would have available for dividends on capital stock the sum of \$42,884. The combined capital stock of the four companies is \$774,060. There would be therefore left, after paying interest charges, a sum admitting of payment of $5\frac{1}{2}\%$ on this combined stock. It appears, however, that preceding the war and in years when conditions were normal dividends were not paid on the stock of the Cranford, Rahway or Metuchen Companies. The par value of the combined capital stock of these three companies is \$474,820. Since no dividends were paid on this capital stock when emergency conditions did not exist, it cannot be expected that increased rates will be allowed in order that dividends may now be paid, nor is it understood that an increased rate is asked for this purpose.

The petitioners request that the four companies shall be considered as one, but there has been no common distribution of net earnings in the past so as to provide dividends on the capital stock of all the companies, and it does not appear that such distribution is intended now. This may be due to the fact that the

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capitalization of the Elizabethtown Company is lower in relation to property value than the capitalization of the other companies, and that with the same charges for gas to the customers of all the companies, the Elizabethtown Company could pay dividends while the others could not. The companies' reports show that for some years dividends have been paid only on the capital stock of the Elizabethtown Company amounting in par value to \$299,240. In view of the amount of business done the capitalization of the Elizabethtown Company appears to be very conservative. Probably as a result of low capitalization the dividend rate on the stock of this company has been very high, being 30% for the year 1917. If the practice of the past continues and a dividend is paid only on the stock of the Elizabethtown Company, there would remain from the estimated earnings of the four companies for 1918 a sum sufficient to pay a dividend on this stock of 14%. While this is much below the dividends paid in recent years, there is nothing before the Board to show that the capitalization is below the value of the property to such an extent as to make it an unfair return.

In view of the foregoing, it is the opinion of the Board, that without an increased rate the petitioners will have no difficulty in meeting operating expenses and interest charges and in providing a liberal return upon all outstanding capital, provided earnings need not be depleted to obtain funds for improvements and extensions. The Board is of opinion that needed improvements and extensions may be made without such depletion. There seems to be no reason why these should not be made from accumulated surplus, which appears from the companies' reports to be ample for the purpose. In so far as such improvements and extensions constitute additions to plants which properly may be capitalized, there would seem to be no difficulty, even under present conditions, in having them represented by security issues. To the extent that they represent deferred maintenance they should be made from accumulated funds without increasing capital charges.

The Board is of the opinion that the conditions affecting the petitioners are not such that an increase in their rates is neces-

Perth Amboy Gas Light Company—Increase in Rates.

sary to tide them over an emergency period, and the petition will be denied.

The Board does not, however, pass upon the question whether the revenues of the companies are such as to afford a reasonable return upon the fair value of their properties. This can be ruled upon only with knowledge as to such value which is not afforded by the record in this proceeding.

It is suggested that if these four companies, now practically under one ownership, deem it advisable to be considered as one and to maintain a uniform rate throughout the territories served by them, they should give consideration to forming a merger, which would unite them in a single company.

Dated July 9th, 1918.

No. 581.

IN THE MATTER OF THE APPLICATION OF THE PERTH AMBOY
GAS LIGHT COMPANY FOR AN INCREASE IN RATES.

1. An application for an emergency increase in rates to meet increased costs of labor and materials is denied where the financial affairs of the company do not warrant granting such increase.

2. Just and reasonable permanent rates must be predicated, not on the capital and surplus of the utility but on the value of its property used and useful in serving the public requirements.

3. For this a complete inventory and appraisal is necessary and this has not been furnished.

C. C. Hommann, for the petitioner.

Leo Goldberger, for Perth Amboy.

J. H. Thayer Martin, for Township of Woodbridge.

Application is made by the Perth Amboy Gas Light Company to increase the price of gas 10 cents per 1,000 cubic feet. The

 Perth Amboy Gas Light Company—Increase in Rates.

original petition was amended making the same a "war emergency measure." The need is based on the present increased costs to the company for labor, materials and supplies.

This company was incorporated under a special act of the Legislature March 8th, 1861, to supply Perth Amboy and vicinity with gas.

It has been economically managed, but its method of finance is subject to some just criticism. Also the company's plant has been inadequate to meet requirements for several years and its service is admittedly not what it should be.

The increased costs of which the company complains are not disputed. However, whether the application be treated as an emergency or permanent rate increase, no relief could be granted in the present proceedings.

On April 1st, 1918, the financial condition of the company was:

Capital	\$150,000.00
Surplus	126,052.83
Undivided Profits	1,879.00
	<hr/>
	\$277,931.83

In 1912, 1913 and 1914 the company paid dividends of 10%; in 1915, 1916 and 1917, 4%, and it earned considerably more. Some of the earnings, after payment of dividends, went to the surplus and part to pay for capital expenditures. A little more than \$20,000 was added to the company's surplus in both the years 1916 and 1917.

The financial affairs of the company do not warrant the granting of emergency relief. The company, however, is entitled to have just and reasonable permanent rates fixed by this Board. Such rates must be predicated, not on the capital and surplus of the company, but on the value of the utility's property used and useful in serving the public requirements.

For the ascertaining of the value of its property a complete inventory and appraisal is necessary, and this has not been furnished.

The petition is therefore dismissed.

Dated July 9th, 1918.

Mrs. William Winters vs. Standard Gas Company in re Service.

No. 582. ✓

MRS. WILLIAM WINTERS

vs.

STANDARD GAS COMPANY IN RE SERVICE.

A gas company supplying twelve customers through a $\frac{3}{4}$ in. diameter pipe is found to be giving insufficient and inadequate service and is ordered to replace the pipe with one larger in diameter and to extend the same seventy-five feet to supply another customer; it appearing that the company will receive a return of more than 6 per cent. on the investment, with due allowances for depreciation and all other elements going into cost, including proportional plant investment.

R. H. Garrison appeared for the company.

Hearing was held at Newark June 26th, 1918, on the complaint of Mrs. William Winters against the Standard Gas Company.

The complainant owns property at 213 Centre Street, Keansburg, N. J., and is desirous of having the three bungalows thereon served with gas. Each bungalow would require a separate gas meter. In compliance with the company's rule, Mrs. Winters deposited \$15 with the company in September, 1916, and requested the service. The company kept the deposit for five months and then returned it.

The facts developed at the hearing are as follows: The gas company has pipes in this neighborhood and particularly in North Shore Street and part of Centre Street $1\frac{1}{2}$ inches in diameter. In that portion of Centre Street between North Shore Street and Mrs. Winters' property the company has run a $\frac{3}{4}$ -inch pipe for a distance of 285 feet. On this small service pipe there are connected 12 customers, and as a result they are receiving insufficient and inadequate service. To serve Mrs. Winters through the same $\frac{3}{4}$ -inch pipe it would be necessary to run the pipe an additional 75 feet and the company claims this would

Mrs. William Winters vs. Standard Gas Company in re Service.

materially increase the complaints they are now receiving concerning the service to the 12 customers mentioned and that it would be improper from an operating standpoint.

The answer is the company has been for more than a year rendering improper and inadequate service to the 12 customers referred to. The $\frac{3}{4}$ -inch pipe should never have been laid, and if it were not for the fact that the company already has the $1\frac{1}{2}$ -inch pipes in the streets, we would require even a larger size. The company should immediately replace the $\frac{3}{4}$ -inch pipe in Centre Street with a $1\frac{1}{2}$ -inch pipe and extend the same 75 feet to Mrs. Winters' property and furnish her the service needed and desired.

The company's estimate of taking up the present main and replacing the new main of the size mentioned is \$145. The revenue to the company from the 12 customers referred to was \$87.20 in the summer of 1917, and the revenue from Mrs. Winters, on the same proportional basis, would increase the return to more than \$100 per season.

Independent of Mrs. Winters, the company should be required to increase the size of its pipe in Centre Street. It is evident that the company will receive a return of more than 6% on the investment, with due allowances for depreciation at 5% on the investment and all other elements going into cost, including proportional plant investment.

We find and determine (1) that the desired extension to the premises of Mrs. William Winters is reasonable and practicable and will furnish sufficient business to justify the construction and maintenance of the same; (2) that the $\frac{3}{4}$ -inch gas pipe in Centre Street, now supplying the 12 customers, is inadequate, and must be replaced immediately with a pipe at least $1\frac{1}{2}$ inches in diameter and extended 75 feet to the premises of the complainant; (3) that the financial condition of the Standard Gas Company, as shown by its report dated December 31st, 1917, filed with this Commission and used in connection with this hearing, reasonably warrants the original expenditure required in making and operating such extension.

An order will be accordingly made.

Dated July 10th, 1918.

Atlantic and Suburban Railway Company—Increased Rates.

ORDER.

This case having been duly heard and the Board having, on the date hereof, made and filed a report containing its findings of fact and conclusions thereon, which said report is hereby referred to and made a part hereof,

The Board of Public Utility Commissioners HEREBY ORDERS AND DIRECTS the Standard Gas Company to replace forthwith the $\frac{3}{4}$ -inch gas pipe located in Centre Street, Keansburg, New Jersey, and used to supply 12 of its customers, with pipe at least $1\frac{1}{2}$ inches in diameter.

The Board FURTHER ORDERS AND DIRECTS the said Standard Gas Company to extend forthwith its facilities so as to supply through the said $1\frac{1}{2}$ -inch diameter pipe, gas to three bungalows located on the property at No. 213 Centre Street owned by Mrs. William Winters.

This order shall become effective August 2d, 1918.

Dated July 10th, 1918.

No. 583.

IN THE MATTER OF THE APPLICATION OF ATLANTIC AND SUB-
URBAN RAILWAY COMPANY, FOR APPROVAL OF INCREASED
RATES.

A street railway the gross receipts of which are insufficient to pay operating expenses, interest charges and taxes is allowed to increase rates.

Bourgeois & Coulomb, for petitioner.

The petitioner asks for the following increases in rates on its line between Atlantic City and Somers Point and Absecon:

Atlantic and Suburban Railway Company—Increased Rates.

	Present Rate	New Rate
Between Atlantic City, N. J., and Pleasantville, N. J.....	.10	.12
Between Pleasantville, N. J., and Linwood, N. J. ....	.05	.06
Between Linwood, N. J., and Somers Point, N. J. ....	.05	.06
Between Pleasantville, N. J., and Absecon, N. J. ....	.05	.06
Six-trip strip ticket between Atlantic City, N. J., and Pleasantville, N. J.	6 for .50	6 for .60
Sixty-trip commutation ticket good for 60 trips within a calendar month between Atlantic City, N. J., and Pleasantville, N. J.	3.00	No change
Commutation ticket good for 60 trips within a calendar month between Atlantic City, N. J., and Absecon, N. J.....	3.90	No change
Commutation ticket good for 60 trips within a calendar month between Atlantic City, N. J., and Linwood, N. J.....	3.90	No change

Hearing was held at Trenton May 7th, 1918. No person appeared in opposition.

From the testimony it appears that this railway company was formerly known as the Atlantic City and Suburban Traction Company, and was an unsuccessful enterprise. A receivership resulted and in the year 1908 the bondholders purchased the road at the receiver's sale for \$90,000, subject to outstanding bonds of \$551,000.

At present there are outstanding first mortgage bonds to the amount of \$591,000, bearing 4%, and \$100,000 subsequent bonds bearing 5% interest.

No dividend has ever been paid on the capital stock of the company and default has been made in the payment of interest due on said bonds since August, 1917. The following shows the deficits on this line for operating expenses, interest and taxes for the past four years:

1914	1915	1916	1917
\$13,212.88	\$10,673.69	\$10,525.49	\$12,620.75

In view of these losses and the increased expenses in operation and maintenance during the year 1918, it seems reasonable that the company should be allowed the needed increased revenues. They will not be sufficient to make up the deficit. It is estimated that the new rates will yield an increased revenue to the amount of \$15,897.29. We think the increase justified and will permit

Public Service Railway Company—Increase in Rates.

the increased rate of fare to be filed and to become effective at once.

Acceptance by the company of the increases herein allowed will be taken as a stipulation that abrogation or modification of the war surcharge may be made as and if conditions as indicated by operating results warrant.

Beginning at the effective date of said schedule of rates, the company is to render reports monthly to the Board showing the Operating Revenues, Operating Deductions excluding General Amortization, Non-Operating Income, Income Deduction and balance available for Amortization, Dividends and Surplus for each succeeding calendar month with comparison with the figures for the corresponding month of 1917; and the Board will retain jurisdiction of the emergency or war surcharges as here approved, for the purpose of modifying or abrogating them as and if the conditions change.

Dated July 10th, 1918.

No. 584.

IN THE MATTER OF THE APPLICATION OF THE PUBLIC SERVICE RAILWAY COMPANY FOR APPROVAL OF INCREASE IN RATES.

1. That the Board has power to increase rates for public utilities regardless of the existence of municipal ordinances limiting the same has been affirmatively declared by our courts.

2. An emergency for which a carrier is entitled to relief by a temporary emergency rate exists, where, by reason of general conditions not affecting the utility alone, the operating revenues are insufficient for it to operate and maintain its property and to pay rentals and interest on such of its securities, a default in the payment of which would jeopardize the solvency of the company.

3. Stockholders in public utility corporations must share in the burdens and hardships resulting from financial changes due to the war and cannot expect to wholly escape therefrom.

4. To divert to the payment of dividends moneys credited to, or which should go to the credit of, depreciation reserve, and so destroy the assurance of safe, adequate and proper service is wholly unjustified and a violation of the paramount duty of the utility.

Public Service Railway Company—Increase in Rates.

5. The petitioner is allowed to charge one cent on each initial transfer issued, it being estimated that this will result in additional revenue sufficient to pay increased wages and that the total revenue will be sufficient to meet operating expenses, interest on funded debt, rentals and taxes.

Marshall Van Winkle and George L. Record, for New Jersey State League of Municipalities.

Thomas N. McCarter, Frank Bergen, E. W. Wakelee and L. D. H. Gilmour, for Public Service Railway Company.

L. Edward Herrmann, for the Board.

The Public Service Railway Company is a corporation of this State, operating a street railway system in 146 municipalities of this State.

On March 5th, 1918, it filed a petition with the Board in which it alleged that the cost of maintaining and operating its system during 1918 had abnormally increased above the corresponding expenses in 1917.

That in the year 1917, on account of increased costs of labor and materials, the cost of maintenance and renewals of way, structures and equipment, the cost of power and of all other materials required in the conduct of its business has greatly increased over 1916; that the conditions giving rise to such increased costs in 1917 still exist, and that such costs will continue to increase in the year 1918 over present costs; that it needs large sums of money to maintain and improve its street railway system in order to enable it to meet the present demands for service and to provide for the growing demands for service required by the government and the public, and that it will be unable to obtain the new capital necessary for such additional construction, equipment and extensions; that the present rates of fare charged are unjust, unreasonable and insufficient to allow it to furnish reasonable and adequate service and maintain the integrity of the physical property, and that a charge of seven cents as a rate of fare where five cents is now charged, a charge of two cents for the first transfer and an additional charge of one cent for a transfer issued on a transfer would increase its

Public Service Railway Company—Increase in Rates.

annual revenue \$3,700,000, which approximates the amount it estimated it would require to operate and maintain its property during the present year. The approval of the said rates is asked.

On March 19th, 1918, an amendment to the petition was filed, changing the relief prayed for to "emergency" relief required by existing conditions. With the amended petition the petitioner filed as rates of fare to be charged on its railway system on and after April 1st, 1918, a schedule as follows:

1. A fare of seven cents where five cents is now charged.
2. A charge of two cents for each transfer issued on payment of a cash fare.
3. A charge of one cent for each transfer issued on a transfer.

Pursuant to directions of the Board, copies of the petition were mailed to the mayors of all the municipalities in which the petitioner's road operates. Advertisements containing a copy of the petition filed with the Board and advising of the time and place of hearing were also inserted in newspapers throughout the territory served by the company.

Objections to the authority of the Board to proceed without a hearing were filed by various municipalities and answers were filed by others, all of which alleged the existence of ordinances passed by these municipalities and accepted by the Public Service Railway Company or its predecessors, in which there was incorporated the provision that the rate of fare to be charged by the railway company within the corporate limits of the municipalities should not be more than five cents.

It was claimed that these ordinances constituted a bar to the Board proceeding in the matter and that it was without power to increase the maximum rates of fare specified in the respective ordinances.

Numerous hearings extending over several months were held.

Many of the remonstrant municipalities were members of an association known as the "League of New Jersey Municipalities." Instead of appearing individually these municipalities joined in opposition in the proceedings and were represented by associated counsel. Other municipalities appeared by individual counsel.

The question of the jurisdiction of the Board presented by all the municipalities in which ordinances had been passed by the

Public Service Railway Company—Increase in Rates.

municipality and accepted by the railway company, or its predecessors, limiting the rate of fares to be charged was duly considered by the Board.

That the Board has power to increase rates regardless of the existence of such ordinances has been affirmatively declared by our courts.

The case of the *Borough of Bradley Beach vs. Atlantic Coast Electric Railway Company* was pending in the Court of Errors and Appeals during this proceeding. In that case the Board had ordered the issuance of a transfer beyond the corporate limits of Bradley Beach, which in effect was a reduction of the maximum fare specified in the ordinance. The Supreme Court had set this order aside, holding that the ordinance constituted an inviolable contract.

That the Board has power to increase rates despite the existence of a similar ordinance or ordinances was subsequently held by the Supreme Court in the case of the *Northampton, Easton and Washington Traction Company vs. the Board of Public Utility Commissioners*. The Court of Errors and Appeals, in June, 1918, set aside the judgment of the Supreme Court in the Bradley Beach case, and comprehensively stated the Board's power to fix rates despite the existence of such ordinances; not only to increase where the same were found to be unjust, unreasonable and insufficient, but to reduce rates specified in the ordinance when the same were found to be excessive. This court decision disposes of the contention of the municipalities that the Board is without jurisdiction.

The original petition as amended restricts and confines the petitioner to "emergency relief required by existing conditions." The "existing conditions," the evidence shows, are the result of the increased cost of labor and materials employed in the maintenance and operation of the street railway due to the abnormal conditions brought about by the war. No argument is necessary to establish that the prices of most, if not all, commodities and wages of labor have increased. It now becomes pertinent to consider to what extent the increased wage of labor has affected those employed in street railway operation and maintenance, as well as how and to what extent the prices of materials entering

Public Service Railway Company—Increase in Rates.

into the maintenance and operation of street railways have been affected.

These are the essential elements to be regarded in considering the reasonableness of existing rates in abnormal times, and the only relief which could be predicated upon them would be "emergency relief," temporary and limited in extent, designed to meet and tide over a general condition not affecting the applicant utility alone. Ordinarily, in fixing just and reasonable rates, the accepted standard is a rate which will afford a fair return upon the value of the property used and useful in serving the public. The application of this standard requires ascertaining the value of the utility's property.

To ascertain the value of the property of a utility requires exhaustive investigation and is inconsistent with the granting of emergency relief required by general conditions. All commissions and engineers will agree that as a practical matter it is more difficult, and requires more time and labor, to determine the values of the properties of steam railroads and electric railways than that of other public utilities. These utilities by reason of their peculiar development require most careful expert investigation of the financial history of each company in the process of ascertaining value. When, as in the present case, there are numerous subsidiary companies leased for long terms, at rentals forming a large part of the fixed charges of the petitioner, and these fixed charges and interest are attacked as extravagant, excessive and unwarranted, the investigation required under normal, general conditions becomes still more complicated and time-consuming. The Board must, however, define an emergency and matters it will consider in emergency applications.

An emergency for which a carrier is entitled to relief by a temporary emergency rate exists where, by reason of general conditions not affecting the applicant utility alone, the operating revenues are insufficient to operate and maintain its property and to pay rentals and interest on such of its securities, a default in the payment of which would jeopardize the solvency of the company.

The evidence in the case indicates that no new capital is at present intended to be secured by the petitioners for extensions. That the only extensions contemplated by it are those necessary

Public Service Railway Company—Increase in Rates.

to serve localities where industries have been erected and engaged in the manufacture of war munitions and governmental work. In these cases, the Federal Government has furnished, or will furnish, the necessary capital to make the extensions.

The present case, therefore, is not like those heretofore considered by this Board, in which the factors affecting the marketability of new issues of securities to raise capital for extensions need be taken into account.

During the war period and in accordance with National and State war policies, while in underwriting normal returns for public utilities we should allow rates sufficient to keep the utility solvent and in good operating condition, we must also continue our declared policy of disallowing rates in war times for the purpose of increasing dividends. *Stockholders in such corporations must share in the burdens and hardships resulting from financial changes due to the war and cannot expect to wholly escape therefrom.*

The Cooley valuation of the petitioner's property was submitted at the request of the Board's counsel. Its admission was opposed by counsel for the municipalities. Dean Cooley was not produced as a witness for examination or cross-examination on his report. The Board is therefore not warranted in giving it consideration, and has not done so.

Our investigation has therefore been confined to ascertaining from the evidence the financial needs of the petitioner to keep it solvent and in good operating condition to serve the public.

ELEMENTS TO BE CONSIDERED.

From the above it becomes apparent that our consideration must be confined to the following:

1. Operating revenue.
2. Operating expenses and taxes.
3. Income deductions.
4. Appropriation for depreciation reserve.
5. Wage increases.
6. Taxes on additional revenue.

Public Service Railway Company—Increase in Rates.

The company's estimate of relief required was set forth in Exhibit P-3. It purported to show the estimate of operating results for the present year on the basis of present costs, the necessary wage increases and the additional gross revenue required to offset the deficit for the year, on the basis of the financial results of 1916. The estimated total operating revenues for 1918 are \$18,883,983.83. This includes revenue from transportation and revenue from operations other than transportation. For operating expenses and taxes there is estimated \$13,752,720.87. This leaves the net operating income before deducting depreciation of \$5,131,262.96. To this is added the sum of \$12,000, operating income from other operations and non-operating income amounting to \$200,000. This non-operating income is made up of interest on investments, bank balances, and the like, making the gross corporate income before deducting depreciation, \$5,343,262.96. The income deductions amount to \$5,165,745.15, which is the sum total of the interest on the funded debt and rentals of the underlying properties.

It is estimated, therefore, that the balance available for depreciation, dividends and surplus amounts to \$177,517.81. The estimated appropriation for depreciation reserve is \$1,188,149.61. This sum provides for an amount of replacement and renewal work, for way, structures, and equipment equal to the work carried out in 1916 at the prices now prevailing. This, it is estimated, would leave a deficit of \$1,010,631.80, on the estimated revenue at present rates. For dividends the petitioner proposes an amount on the capital stock outstanding equal to that paid in 1916 of \$1,491,066.38 and 8% on the additional stock now authorized of \$1,250,000 or \$100,000, resulting in an estimated deficit for the year of \$2,601,698.18. The company also estimates the annual amount of wage increases necessary and not included in the above stated operating expenses at \$635,714, and the amounts to be paid for franchise taxes and Federal income taxes on the additional revenue sought at \$257,061.51, making the total estimated deficit for the present year of \$3,494,473.69. Since this estimate was prepared the president of the petitioner testified that labor difficulties had arisen resulting in an additional wage increase of \$450,000, making the total annual wage

Public Service Railway Company—Increase in Rates.

increase \$1,085,714. Based on this estimate, the additional revenue required would be \$3,687,412.18. Accordingly, the franchise taxes and Federal income taxes would be increased on the additional revenue required to approximately \$292,700, making the total estimated deficit \$3,980,112.18.

COMPARISON.

The Board has carefully scrutinized and analyzed the foregoing estimates of operating revenue and expenses for the year 1918 made up by the company, in comparison with the corresponding revenues and expenses in previous years and in comparison with the actual results of operation during the first four months of 1918 as set forth in the statement filed by the company in accordance with Conference Ruling No. 15. This is a statement showing, among other things, the income, operating expenses and revenue deductions for the calendar years 1914, 1915, 1916, 1917, and for the first four months of 1918.

We are well aware that the car-mileage operated during the early months of 1918 was less than the car-mileage operated during the corresponding months of 1917 (as shown by objector's Exhibit O-37) and less than the car-mileage which might have been expected during that period of 1918, and that consequently the operating expenses during that period were less than they would have been had the car-mileage been greater. On the other hand, we are also aware that the weather conditions were unusually severe during the early months of 1918, and the operating expenses were consequently presumably materially higher than they would have been with normal weather conditions.

The Board is of the opinion that it is reasonable to judge the estimates of the revenues and expenses for the year 1918 on the basis of the results of operation during the first four months of the year, especially in view of the fact that any increase in rates which may be granted may be expected to decrease the traffic to some extent and will therefore tend to decrease operating expenses.

Public Service Railway Company—Increase in Rates.

From analysis and comparison we have set up estimates differing somewhat from those made by the company which appear more reasonable in the light of the operating results of previous years and of the first four months of 1918.

In these estimates the revenue from transportation, without a change of rates, is estimated at \$18,434,000 on the basis of the revenues during the first four months of the year and the relation to be expected between the revenue during that period and the revenue during the entire year, as determined from the records of previous years. The revenue from operations other than transportation is estimated at \$600,000 on the basis of revenues from the same source during past years, taking into consideration the increase in this revenue from year to year and also taking the relative amount of this revenue received during the first four months of 1918, as compared with that received during the corresponding months of previous years. The operating expenses and taxes are estimated at \$13,010,000 on the basis of the expense and taxes during the first four months of 1918 and the relation to be expected between the expenses for those four months as compared with the expenses for the entire year, as determined from the records of previous years. The operating income from other sources is estimated at \$11,000 in the same manner. The non-operating income is estimated at \$220,000 on the basis of the income from this source during past years. The appropriation to depreciation reserve is taken at \$800,000. The company claims \$1,188,149.61 as a reasonable allowance for this expense on the ground that owing to the increased cost of labor and materials it would require this amount of money to do in 1918 the same amount of work which was done in 1916 for \$728,001.18. It is undoubtedly true that the cost of labor and materials has advanced greatly and that more money would be required to do a piece of work under the conditions now prevailing than would have been required to do an equal amount of work in 1916.

The Public Service Railway Company leased its power plants to the Public Service Electric Company in 1910. Under the terms of this lease the electric company is required to provide for maintenance, repairs and replacements. To this extent the peti-

Public Service Railway Company—Increase in Rates.

tioner is relieved from the necessity of providing for the depreciation of these properties. It, therefore, becomes necessary to ascertain what proper depreciation should be allowed for the remaining property. The amounts appropriated to the depreciation reserve and the amounts actually spent for replacements and renewals, annually, together with the book amount of fixed capital in each of the five years are shown in the following table:

DEBITS AND CREDITS TO RESERVE FOR ACCRUED AMORTIZATION
(DEPRECIATION)

Year.	Debits for		Credits through debits		Fixed Capital by Books.
	Amt. In %	Fixed Cap.	Amt. In %	Fixed Cap.	
1913	\$452,503	0.51%	\$472,496	0.54%	\$88,052.203
1914	314,293	0.35	469,466	0.53	88,798.181
1915	522,722	0.58	616,384	0.69	89,603.042
1916	489,038	0.51	731,228	0.77	95,564.747
1917	460,756	0.47	179,935	0.18	97,400.383
5 years ...	\$2,239,312	0.487%	\$2,469,509	0.538%	\$459,418.556

If we apply the average percentage of 0.538%, this being the resultant percentage obtained from an analysis of the table above, to the book fixed capital for 1916, the amount of \$514,138 is the amount that should have been appropriated to the reserve for 1916. Applying the percentage estimated increased costs of the company 162.4%, this being the percentage used by the petitioner as representing the increased costs of labor and materials in 1918 as compared with 1916 prices, gives \$834,960 as the average figure for the year 1918. Using in the same way the average percentage of realized depreciation as represented by debits to the reserve applied to the fixed capital gives \$465,400 for 1916; and again applying the same percentage used by the petitioner for the increased costs of labor and materials in 1918 gives the sum of \$755,810 as the greatest realized depreciation (that is, actual replacements to be provided for or expected in 1918), if the same proportional amount of work can be done in this period of difficulty, considering the scarcity of labor and materials. For

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these reasons we conclude that the sum of \$800,000 will in this emergency constitute sufficient appropriation to the depreciation reserve for 1918.

The testimony is to the effect that the wage changes will result in a total estimated increase of \$1,086,000. From the foregoing estimates of revenues and expenses, operation on this basis would produce an annual deficit of \$797,000. If provision is made for providing this amount of additional revenue, the additional taxes entailed are estimated at \$63,000. On the foregoing basis the total amount which must be added to the company's revenues in order to enable it to meet its operating expenses, pay bond interest and rentals on leased properties, provide a reasonable appropriation to depreciation reserve and increased wages is estimated at \$860,000.

The estimates outlined are placed beside the corresponding estimates set up by the company in the following table. The company's estimates are taken from Exhibit P-3 with modification in reference to wage increase in accordance with subsequent testimony, and a corresponding modification in the taxes on the additional revenue required.

Public Service Railway Company—Increase in Rates.

	Company's Estimate Ex. P 3	Board's Revised Estimate.
Revenue from Transportation	\$18,418,783.83	\$18,434,000
Revenue from Operations Other than Transportation	465,200.00	600,000
Total Operating Revenues	\$18,883,983.83	\$19,034,000
Operating Expenses and Taxes	13,752,720.87	13,010,000
Net Operating Income before Deducting Depreciation	\$5,131,262.96	\$6,024,000
Operating Income—Other Operations	12,000.00	11,000
Non-Operating Income	\$5,143,262.96	\$6,035,000
	200,000.00	220,000
Gross Corporate Income before Deducting Depreciation	\$5,343,262.96	\$6,255,000
Income Deductions (Interest on funded debt and rentals)	5,165,745.15	5,166,000
Balance Available for Depreciation, Dividends and Surplus	\$177,517.81	\$1,089,000
Appropriation to Depreciation Reserve	1,188,149.61	800,000
Dividends—	(¹) \$1,010,631.80	\$289,000
Capital Stock Outstanding	\$48,750,000	
Earnings in 1916	\$1,491,066.38	
Additional stock now authorized, \$1,250,000 at 8%	100,000.00	
	\$1,591,066.38	
Deficit or Surplus for the year at this point	(¹) \$2,601,698.18	\$289,000
Annual Amount of wage increases necessary and not incl. above	(²) 1,085,714.00	(²) 1,086,000
Deficit	(¹) \$3,687,412.18	(¹) \$797,000
Amounts to be paid for Franchise Taxes and Federal Income Taxes if additional revenue required is allowed	292,700.00	(²) 63,000
Total Deficit	(¹) \$3,980,112.18	(¹) \$860,000
(¹) Deficit. (²) Revised estimate due to increased wage scale (\$635,714.00 plus \$450,000.00).	(¹) Estimated	in proportion
to company's original estimate.		

Public Service Railway Company—Increase in Rates.

ADDITIONAL REVENUE REQUIRED.

To enable the petitioner to render safe, adequate and proper service to the public, we conclude that approximately \$860,000 additional revenue will be required.

*Methods of Obtaining Additional Revenue.**Zone Basis.*

This additional revenue might be secured by increasing the flat five-cent fare now charged by introducing a zone system of charges whereby the fare should be commensurate with the distance traveled. The zoning system would tend to make the cost of the service more nearly approximate its value to the passenger and would tend to secure the maximum revenue to the operating company at the minimum equitable cost to the passengers carried. It would also tend to make the cost per unit of service more equitable, but cannot be resorted to furnish emergency relief on account of the long delay that would ensue before such a system could be developed and equitably applied.

Car Mile Basis.

It may be suggested that the company's revenue for this emergency should be based on a study of the average revenue per car mile adjusted to present conditions. The Board does not consider that this method is logical or feasible. The cars in thickly-populated traffic centers are usually crowded to capacity at certain hours and the revenue per car mile in that portion of the line is high; as the car proceeds, when the suburban area is reached or passed, the load becomes very light. If the company were allowed a uniform revenue per car mile, the total cost per car mile (which does not vary largely in percentage) would be assessed on the few remaining passengers and would make the cost of the service so largely exceed its value that the method would fail by reason of such high cost to the passengers.

Public Service Railway Company—Increase in Rates.

Transfer Basis.

The company estimates in Exhibit P-7 a charge of one cent for each transfer issued on a base fare of five cents will provide approximately \$850,000 of additional revenue per year, which is substantially the amount of additional revenue required. By making a charge for transfers the additional revenue now required can be promptly secured and at the same time the additional burden will, in general, be carried by the long-haul passengers since, as a rule, the average total length of the ride by passengers who use transfers (including the ride on the cash fare and the ride on the transfer) is longer than the average ride of passengers not using transfers. The transfer charge seems to be the best applicable in the present case, and we have accordingly adopted this method.

RECOMMENDATIONS.

Depreciation Reserve.

The continuous maintenance of safe, adequate and proper service is the paramount duty of a public utility.

Such continuous service can only be assured by the maintenance of a proper depreciation reserve.

This fact is recognized in the system of accounts adopted by this Board and by the company in the setting up of a depreciation reserve. This depreciation reserve is built up out of the rates. In the year 1917 the appropriation for depreciation reserve, which should have been credited thereto, was depleted to the extent of over \$500,000 and used to pay dividends.

To divert to the payment of dividends moneys credited to or which should go to the credit of this reserve, and so destroy the assurance of the continuance of safe, adequate and proper service, is wholly unjustified and a violation of the paramount duty of the utility.

If the earnings of a utility will not admit of the maintenance of a proper depreciation reserve and a fair return upon the property used and useful, the remedy is not to be found in the reduction of the amount carried to or the depletion of the depreciation

Public Service Railway Company—Increase in Rates.

reserve, but in a prompt application to this Board for relief, before which the inter-related question of the continuous maintenance of safe, adequate and proper service and of just and reasonable rates may be considered, and all parties affected—the utility and the public—heard.

Valuation and Leases.

The president of the petitioner urged that not even in normal times was the return received by the company a fair return on the fair value of the property used in the service of the public, basing his conclusion upon the Cooley valuation and the addition thereto of an allowance of intangibles estimated by him. The municipalities properly denied this and criticised the valuation from an inspection and analysis thereof. The compiler of the appraisal was not produced, and as we have said above, no consideration was given by us to it.

In the fixed charges, the rentals paid by the petitioner to the underlying companies under the long-term leases in and through which the petitioner operates portions of its lines were subject to much criticism on the part of the municipalities in that the rentals paid were charged to be excessive.

The time is perhaps not far remote when the entire subject of the valuation of the properties and adjustment of rates of this company may be investigated. The criticism of the municipalities as to rentals and leases under which the same are paid, however, seems to require our comment. Fixed leases are in opposition to regulation because under the head thereof a utility could secure a return to which, under proper utility regulation, it might *not* be entitled, and the abuse of leases of this character is more *marked* where the lessor and lessees are so co-related as to be *practically* under the same control. The same abuses may exist *under* leases of this character as have heretofore been known to exist through the practice of holding companies, which abuses our State has sought to eliminate or curtail through prohibitory legislation. To secure the complete advantage and benefit of regulation all charges should be carried as far as possible by the oper-

Public Service Railway Company—Increase in Rates.

ating utility, rather than indirectly by means of long-term leases of a non-operating company, under which the rental paid might be in excess of a fair return on the fair value of the property.

Should, in future proceedings, an investigation be made to ascertain the fair value of the property and the return received by the petitioner, undoubtedly the underlying leases under which the petitioner operates will be and should be carefully analyzed, and the rentals paid thereunder investigated, for in ascertaining the fair return upon this property not only would the return received from the rates of fare as at present charged be pertinent, but it should also be determined whether the fixed charges are excessive.

Readjustment of Fares.

Numerous witnesses produced by the petitioner clearly indicated as their opinion that the flat rate fare system was an inheritance from horse-car days and was in no sense a scientific or proper charge for the service rendered. While the Board's power to increase railway fares despite the existence of a municipal ordinance specifying the maximum fare to be charged has been sustained, an important question would arise as to whether we would countenance a horizontal raise of the uniform five-cent rate without an investigation of the nature and extent of the service rendered for the fare charged and all the elements involved therein. The charge for the service does not bear any fixed relation to the service. Under the present existing five-cent uniform rate, some passengers are permitted to be carried a considerably greater distance for the same rate than other passengers. This may unduly discriminate against the short-haul passenger or short-rider, and any horizontal increase in the flat rate would further exaggerate this discrimination.

The witnesses for the company further testified that in the event of a horizontal increase in fares it was reasonably certain that the traffic would diminish by from 15 to 20%, and that this loss of traffic would be the short-haul traffic, for the reason that most of the short-riders in cities would walk rather than use the cars at the increased fares.

Public Service Railway Company—Increase in Rates.

If the intimations of the president of the company are correctly interpreted, we can expect with the advent of normal times after the war an application by the company for a readjustment of fares on its lines, and the matter as to the method of raising revenue and adjusting rates having been so fully discussed in the present application, we are of the opinion that it would not be remiss for us to suggest that the company make a comprehensive study of the question for future use. It is important to the public as well as to the company that the short-haul traffic business should be retained. Such business may be the determining feature which will make possible a general reduction of fares, inasmuch as the best method of developing is clearly to retain a low minimum fare. Admitting the necessity for modification of the fares charged, some method can certainly be devised by a proper study of the company's system. While the system is extensive, covering nearly a thousand miles of track, it is separated and operated in six divisions and is capable of a practical zoning system.

CONCLUSIONS.

1. The petition will be dismissed.
2. We conclude (a) that, in order to render the public continuous, safe, adequate and proper service, the Public Service Railway Company will be required to raise additional revenue to the amount of \$860,000, and determine the existing rate to be insufficient. Additional revenue to the amount of \$860,000 will admit of the wage increases to the maximum testified to by the president of the company to be necessary. The wage controversy between the employes of the company and the company is now before the Federal War Labor Board for adjustment. The amount we allowed in our calculations was \$1,086,000 and this sum shall be appropriated toward any increase allowed by the Federal War Labor Board. (b) We further, in our calculations, allowed as an appropriation to depreciation reserve the sum of \$800,000, which sum is not to be used for any other purpose. The balance of our allowances is to cover the fixed charges, being the interest on the funded debt, rentals and taxes.

Public Service Railway Company—Increase in Rates.

3. We conclude that the sum of \$860,000 can best be raised to meet the emergency by imposing a war surcharge of one cent on all initial transfers. As this is to be an emergency charge, it should become effective subject to the following conditions:

(a) The company shall promptly file with the Board for each calendar month, beginning with the month of June, 1918, so long as this surcharge is added to its schedule of rates, a statement giving the total amount of wages and salaries paid, duly classified by character of service rendered to the company and the rates per hour, day or period for which the wage or salary is payable, likewise classified, and indicating any change in classification of employes and the wage rates resulting therefrom.

(b) The company shall file with the Board for each calendar month, beginning with the month of June, 1918, during which the emergency surcharge is added to its rate schedule, a complete comparative income statement for 1917 and 1918 of its operations showing revenue and revenue deductions, classified in accordance with the uniform system of accounts for street or traction railway utilities (first issue) prescribed by this Board, together with mileage, traffic and miscellaneous statistics as required on page 35 of the form of annual report now required to be filed by this Board.

(c) The Board will retain jurisdiction of the emergency or war surcharge as herein approved for the purpose of modifying or abrogating same as and if the conditions change.

4. The company shall file or submit to the Board before January 1st, 1919, a plan whereby the method of charging at present in force may be revised by an equitable zoning system over its entire territory, proper consideration being given to all of the elements to more properly relate the cost of service with the length of haul and value of service.

Subject to the foregoing conditions and their acceptance by the company, the Board fixes as a just and reasonable charge to be imposed, observed and followed by the Public Service Railway Company on and after the first day of August, 1918, a charge of one cent on all initial transfers, in addition to any and all charges now imposed, observed and followed by said company.

Dated July 10th, 1918.

Public Service Railway Company—Increase in Rates.

ORDER.

The Board of Public Utility Commissioners having on the date hereof made and filed a report, stating its findings of fact and conclusions thereon, which report by reference thereto herein is made part hereof, HEREBY ORDERS fixed as a just and reasonable charge to be imposed, observed and followed, on and after the effective date of this order, by the Public Service Railway Company a charge of one cent on all initial transfers issued by said company to its passengers; this charge to be in addition to the charges now imposed and exacted by the said company, and to be collected only in the event that prior to the twenty-fourth day of July, nineteen hundred and eighteen, the Public Service Railway Company shall file with the Board of Public Utility Commissioners its acceptance in writing of the following conditions:

(a) That the said Public Service Railway Company agrees to file with the Board for each calendar month, beginning with the month of June, 1918, and continuing so long as the charge fixed by this order is in effect, a statement giving the total amount of wages and salaries paid, duly classified by character of service rendered to the company and the rates per hour, day or period for which the wage or salary is payable, likewise classified, and indicating any change in classification of employes and the wage rates resulting therefrom.

(b) The said Public Service Railway Company agrees also to file with the Board for each calendar month beginning with the month of June, 1918, a complete comparative income statement for 1917 and 1918 of its operations showing revenue and revenue deductions, classified in accordance with the uniform system of accounts for street or traction railway utilities (first issue) prescribed by this Board, together with mileage, traffic and miscellaneous statistics as required on page 35 of the form of annual report now required to be filed by this Board.

(c) Said Public Service Railway Company shall file or submit to the Board before January 1st, 1919, a plan whereby the

Increased Rate—Public Service Electric Company.

method of charging at present in force may be revised by an equitable zoning system over its entire territory, proper consideration being given to all of the elements to more properly relate the cost of service with the length of haul and value of service.

This order shall become effective August 1st, 1918.

Dated July 10th, 1918.

No. 585.

IN THE MATTER OF THE APPLICATION OF AN INCREASED RATE
TO CONTRACTS WITH PUBLIC SERVICE ELECTRIC COMPANY
FOR ELECTRIC POWER.

The Board of Public Utility Commissioners having, on the twenty-seventh day of February, one thousand nine hundred and eighteen, determined and approved an increase in the charge to be made by the Public Service Electric Company to its customers supplied with electrical energy for power, and complaints having been made to the Board that the increase so determined and approved was being wrongfully applied by the said Public Service Electric Company in its charges to certain of its customers who had entered into contracts, which it was alleged were still in force, for electrical energy at a lower rate, and the Board having heard the parties so complaining, and having, on the twenty-ninth day of June, one thousand nine hundred and eighteen, made and filed a report containing its findings of fact and conclusions thereon, which report, by reference thereto herein, is hereby made part hereof,

The Board of Public Utility Commissioners HEREBY ORDERS AND DIRECTS that the complaints referred to herein, and each of them, be and the same hereby are dismissed.

Dated July 16th, 1918.

Wrightstown Water, Electric Light and Power Co.—Sale of Property, &c.

No. 586.

1. IN THE MATTER OF THE APPLICATION OF THE WRIGHTSTOWN WATER, ELECTRIC LIGHT AND POWER COMPANY FOR APPROVAL OF AN AGREEMENT FOR THE SALE OF PROPERTY TO THE WRIGHTSTOWN UTILITIES CORPORATION.
2. IN THE MATTER OF THE APPLICATION OF THE WRIGHTSTOWN UTILITIES CORPORATION FOR APPROVAL OF THE SALE OF CERTAIN EQUIPMENT TO THE HANOVER WATER COMPANY.
3. IN THE MATTER OF THE APPLICATION OF THE HANOVER WATER COMPANY FOR APPROVAL OF THE ISSUE OF TEN THOUSAND DOLLARS OF FIRST MORTGAGE SIX PER CENT. BONDS AND FIFTEEN THOUSAND DOLLARS OF CAPITAL STOCK OF SAID COMPANY.

1. Approval is given to the sale of the property, rights and franchises of a utility supplying water, to the issuance of securities for the purchase of the same and to capitalize expenditures made or to be made.

2. In approving the issuance of bonds at not less than ninety it is provided that the utility shall make provision to amortize the bond discount actually suffered by it by an annual appropriation equal to 10% of the total discount suffered.

Ward Kremer, for the Wrightstown Utilities Corporation.

Ward Kremer, for the Hanover Water Company.

The Wrightstown Water, Electric Light and Power Company was organized on March 8th, 1899, under the provisions of "An Act Concerning Corporations (Revision of 1896)." This company installed a small system of four-inch cast iron mains, with fire hydrants connected therewith, a 10,000-gallon tank and certain service pipe connections, but neither owned nor operated a pumping station. The Board's engineer estimates the value of this property, depreciated for age, at approximately two thousand dollars. The first petitioner, in its annual reports to the Board,

Wrightstown Water, Electric Light and Power Co.—Sale of Property, &c.

valued this property at less than \$2,000. The plant was in such shape that the State Board of Health was urgent that service conditions should be improved by securing a more wholesome and adequate water supply. The petitioner, No. 1, was unable or unwilling to make additions and extensions to its plant, rendered necessary, in part, by the construction in the immediate vicinity, of Camp Dix. On October 13th, 1917, it entered into a contract with the Wrightstown Utilities Corporation, the second petitioner above cited, by the terms of which it agreed to sell all of its property and franchises to the second petitioner for an expressed consideration of four thousand dollars of the capital stock of the second petitioner. The first petitioner asks the approval of the Board for this sale. A subsequent agreement provides that the consideration was to be paid in \$4,000 of stock of the Hanover Water Company in place of in stock of the Wrightstown Utilities Corporation.

2.

The Wrightstown Utilities Corporation, a New Jersey Corporation, organized during November, 1917, under the provisions of "An Act Concerning Corporations (Revision of 1896)," contracted with the Hanover Water Company, by agreement dated December 20th, 1917, subject to the approval of same by the Board, to sell to the latter the property acquired from the Wrightstown Water, Electric Light and Power Company, as recited above; the property intended to be conveyed by this agreement is more particularly described in said agreement as follows:

4,500 feet of four-inch main (cast iron).

13 fire hydrants.

10,000-gallon tank, tower, standpipe, foundations.

The Board's engineer has been unable to locate as much as 4,500 feet of four-inch main. The consideration expressed in this agreement for the sale of the above-described property was as follows: Six thousand dollars (\$6,000) in cash and four thousand five hundred dollars (\$4,500) in the capital stock of the Hanover Water Company to be issued to the second petitioner above cited.

Wrightstown Water, Electric Light and Power Co.—Sale of Property, &c.

The Wrightstown Utilities Corporation made certain organization expenditures to the transfer and the Board is of the opinion that the value of the property to be conveyed by it to the Hanover Water Company is two thousand five hundred dollars (\$2,500).

3.

The Hanover Water Company was incorporated December 3d, 1917, pursuant to the provisions of an act of the Legislature of New Jersey, entitled "An Act for the construction, maintenance and operation of water works for the purpose of supplying cities, towns and villages of this State with water," approved April 21st, 1876, and the acts supplementary thereto and the amendments thereof, and the certificate of incorporation is alleged to have been duly filed in the office of the Secretary of State of New Jersey.

Under the contract of December 20th, 1917, above cited, duly ratified by resolutions of the respective Boards of Directors on February 13th, 1918, the Hanover Water Company came into possession of the property hereinabove described, valued by the Board at two thousand five hundred dollars. Since taking possession, the Hanover Water Company has sunk two wells, secured a supply of water adequate to its present needs, built a pumping station, installed equipment and has made, or intends making, several extensions of its system. The aggregate value of its plant as it now exists, with the additions made, or shortly to be made, is stated in the following table:

Wrightstown Water, Electric Light and Power Co.—Sale of Property, &c.

TABLE SHOWING THE VALUE OF THE PLANT AND PROPERTY OF THE HANOVER WATER COMPANY (AS OF APRIL 1, 1918, APPROXIMATELY) FOR THE PURPOSE OF ISSUING SECURITIES.

Acc. No.	Item.	Tangible Property.	Intangible Property.
	Property transferred by 2d petitioner.....	\$2,000	\$500
	Property installed by 3d petitioner.....		
	<i>Intangible Property.</i>		
101	Organization		
	Legal fees, disbursements, office expenses, promoters' fees, etc.		3,672
102	Franchises—actual disbursements		200
	<i>Tangible Property.</i>		
109	Springs and wells	4,190	
121	Pumping stations, land and buildings.....	2,545	
125	Gas pumping equipment	1,000	
126	Miscellaneous pumping station equipment	213	
131	Meters, meter boxes and vaults	797	
135	General equipment	89	
	Fixed capital	\$10,834	\$4,422
152	Materials and supplies	1,370	
	Totals	\$12,204	\$4,422
	Grand total		\$16,626
	Taken as		\$17,000

Note.—The materials and supplies consist largely of material to be installed as fixed capital in the shape of extensions, with necessary labor to install same.

The expenditures of the Hanover Water Company, partly estimated above, are to be reported to the Board in detail in accordance with Conference Rule No. 7 and are to show actual costs of property acquired or installed.

The information in possession of the Board indicates that the bonds are to net the Hanover Water Company 90%, which indicates a discount of \$1,000 on the \$10,000 or bonds proposed to be issued. As the bond discount will be chargeable to a suspense account this will permit the issue of \$18,000 of securities, as follows:

Capital stock at par	\$8,000
Bonds at 90%	10,000
Face value of securities	\$18,000
To be realized from sale of securities	\$17,000

Wrightstown Water, Electric Light and Power Co.—Sale of Property, &c.

The Board therefore finds and concludes:

1. That it will approve the sale of the property, rights and franchises of the Wrightstown Water, Light and Power Company, the first petitioner, to the Wrightstown Utilities Corporation, the second petitioner, at a present value of two thousand dollars, and will approve the payment of this consideration by the issue and transfer of stock of the Hanover Water Company in the amount of two thousand dollars par value.

2. That it will approve the sale of the property, rights and franchises of the Wrightstown Utilities Corporation, the second petitioner, to the Hanover Water Company, the third petitioner, at the consideration of two thousand five hundred dollars, provided that the proceedings on which said proposed sale is based be legally amended in conformity herewith, and will approve the payment of this consideration by the issue and transfer of capital stock of the Hanover Water Company in the amount of two thousand five hundred dollars.

3. That it will approve the issue and sale of the following securities by the Hanover Water Company for the purposes herein set forth, viz.:

(a) Eight thousand dollars of its capital stock, of which two thousand five hundred dollars is to be issued to the Wrightstown Utilities Corporation to carry out the provisions of section (2) foregoing, and the remaining five thousand five hundred dollars to be used to reimburse its treasury for capital expenditures made, or to be made, as indicated in this report.

(b) Ten thousand dollars of its ten-year 6% bonds, to be issued at not less than 90%, to reimburse its treasury for capital expenditures made, or to be made, as indicated in this report.

4. That they are all interdependent, the foregoing findings must be taken together and all complied with as specified.

5. That Hanover Water Company shall make provision to amortize the bond discount actually suffered by it by an annual appropriation equal to 10% of the total discount suffered.

An order will so issue.

Dated July 16th, 1918.

Borough of Bogota—Review of Water Rates.

No. 587.

IN THE MATTER OF THE APPLICATION OF THE BOROUGH OF BOGOTA TO REVIEW RATES OF THE HACKENSACK WATER COMPANY.

1. That there should be a difference between the rates of two water companies supplying service to different parts of the same municipality is not a sufficient reason why comprehensive proceedings resulting in the fixing of rates for one of the companies to charge to all its customers should be reopened.

2. Where a part of a municipality served by a water company is but part of an extensive system, to attempt to adjust rates in this part to meet the rates of another utility serving another part of the same municipality would result in grave discrimination.

3. It is fundamental in municipal management that all taxpayers of a municipality, where the same is constituted as a single fire district shall contribute their shares of expenditures for fire service, pro rata.,

George C. Felter, Jr., for the Borough of Bogota.

William M. Wherry, Jr., for Hackensack Water Company.

A petition was filed by the Borough of Bogota, which alleges that water is furnished to it and its residents by two water companies, the Hackensack Water Company and the Bogota Water and Light Company; that these companies supply an equal number of persons in said borough, although the territory supplied by the Hackensack Water Company is somewhat larger than that supplied by the Bogota Water and Light Company; that the rates and charges found by this Board to be just and reasonable in the proceedings heretofore determined by it in the matter of the investigation of the rates of the Hackensack Water Company are inequitable, particularly as to the "Fire Service Charge," and that the rates to the consumer of the Hackensack Water Company in said borough differ from those to the consumers of the Bogota Water and Light Company. It is further alleged that the total charge for water furnished to the Borough of Bogota by

Borough of Bogota—Review of Water Rates.

the Hackensack Water Company amounts to \$1,061.15, which amount is assessed against all of the real estate therein, so that those using water from the Bogota Water and Light Company are obliged to contribute thereto.

The relief sought is a review of the rates of the Hackensack Water Company as well as those of the Bogota Water and Light Company and an adjustment upon a basis that would be fair to the consumers of water of both companies.

To this petition an answer was filed by the Hackensack Water Company admitting the pertinent allegations of the petition, but sets up as a bar the findings of this Board, "in the matter of the proceedings to investigate the reasonableness of the rates of the Hackensack Water Company," in which the rates of said company were fixed.

The answer of the Bogota Water and Light Company substantially admits the pertinent allegations of the petition, and asks that the petition in so far as it affects the Bogota Water and Light Company be dismissed, in that its charges to consumers in the borough are equitable and just, and that it serves the community at fair and moderate rates; that no complaint has been made against it by any of its consumers, and that no occasion has arisen for a review of its rates and charges at this time.

At the hearing the question resolved itself into one of re-opening the former findings of this Board in the matter of investigation of rates of the Hackensack Water Company in so far as its rates affected the Borough of Bogota. It appears that the Borough of Bogota is geographically divided by a railroad track. The easterly part, while somewhat larger than the westerly part, is supplied with water by the Hackensack Water Company, and the westerly part is supplied by the Bogota Water and Light Company. As to the rates charged by the Hackensack Water Company, reference is made to the report of this Board dated April 28th, 1917, in the proceeding hereinabove referred to.

That there should be a difference between these rates, found by us to be just and reasonable, and the rates of another company supplying another part of the same borough, is not a sufficient reason why the former comprehensive proceedings of this Board

Borough of Bogota—Review of Water Rates.

should be opened. That part of the Borough which is supplied by the Hackensack Water Company is but part of an extensive system of the Hackensack Water Company. That inequalities exist between the rates, found by this Board to be just and reasonable, and the rates of another company supplying another portion of the borough should not be considered in such a proceeding as the former proceeding was. Consideration of facts such as these would never permit of an equitable adjustment of rates of any utility having a comprehensive system. To attempt to adjust rates in any part of a territory affected to meet the rates of other utilities operating in small portions of the territory would result in grave discrimination.

As to the allegation that the consumers of the Bogota Water and Light Company are obliged to pay their share of the charges of the Hackensack Water Company for the water used by the borough for fire service, it is also true that the consumers of the Hackensack Water Company have to contribute to the charges of the Bogota Water and Light Company for the same service in the part of the borough to which it furnishes the service. It is fundamental in municipal management that all taxpayers of the municipality, where the same is constituted as a single fire district shall contribute their shares of expenditures for fire service pro rata. Because the water for this purpose is furnished by different utilities at dissimilar rates, does not support the proposition that the contributions shall be unequal. The service is to the municipality as a whole and there exists a community of interest to which all of the taxpayers should bear their burden equally.

There does not seem to be any complaint from the consumers of the Bogota Water and Light Company as to the reasonableness of the rates charged by it. It may be that upon investigation the rates of the Bogota Water and Light Company might be found to be unjust and unreasonable. There is no certainty, however, that if an investigation should be had, that the rates of this company could be adjusted so as to meet the rates fixed by this Board for the Hackensack Water Company. We would be unwilling, in view of the uncertainty of making adjustments of these rates

Hammonton and Egg Harbor City Gas Co.—Increase in Rates.

so that the same would be equal to those charged by the Hackensack Water Company to institute proceedings to investigate the present rates of the Bogota Water and Light Company.

That the borough is divided into two parts, and each of these parts is served by a different utility for the same commodity may be unfortunate, but no reason has been advanced either for a review of the rates fixed by this Board in that part served by the Hackensack Water Company nor for a review of the rates charged by the Bogota Water and Light Company in that part of the borough served by it. The petition will therefore be dismissed.

Dated July 16th, 1918.

No. 588.

**IN THE MATTER OF THE APPLICATION OF THE HAMMONTON AND
EGG HARBOR CITY GAS COMPANY FOR AN INCREASE IN
RATES. ●**

1. The petitioner, applying for approval of an increased rate for gas, operates a gas and electric plant. The total amount of funded debt and loans is \$143,450, and of capital stock, \$70,000. Of these amounts, \$82,000 of funded debt and loans and \$40,000 of stock are apportioned by the company to the gas department.

2. A consideration of the appraisal submitted shows that the stock apportioned to the gas department has no underlying value to support it.

3. A value of \$82,644 is taken on which a return of 6% is allowed.

Joseph Thompson, for the petitioner.

Henry F. Stockwell, for Hammonton.

The petition makes the following allegation:

“4. That the said gas company is selling gas for one dollar and thirty-five cents (\$1.35) per thousand cubic feet, with a rebate of 10% a thousand feet, provided the same is paid by the tenth of the month.

Hammonton and Egg Harbor City Gas Co.—Increase in Rates.

“6. That in order to operate said company profitably it is necessary that the price of gas per thousand feet should be one dollar and ninety cents (\$1.90) and a rebate of 10 cents per thousand feet if paid by the tenth of the month.”

After due notice to the municipal authorities, the matter was heard by the Board on April 16th and 23d. The objectors submitted in evidence, in Exhibit O-1, the ordinance under which the company is operating, section 4 of which provides that the company “shall not charge private consumers of its gas in the said Town of Hammonton more than one dollar and fifty cents (\$1.50) per one thousand cubic feet of gas for illuminating purposes and one dollar and thirty-five cents (\$1.35) for one thousand cubic feet of gas for fuel purposes.”

The company produced as witnesses in its behalf John P. Tompkins, its secretary, and Alfred E. Forstall, as expert engineer.

I. CAPITAL USED AND USEFUL.

Exhibit P-2, page 5, shows a complete valuation of the property of this company, based on unit prices for materials and labor, which were normal prior to 1917. This valuation was submitted on behalf of the company by Alfred E. Forstall, and is shown in the following Table I.

Hammonton and Egg Harbor City Gas Co.—Increase in Rates.

TABLE I.

SUMMARY OF ESTIMATED COST OF REPRODUCTION NEW, DEPRECIATION AND
COST OF REPRODUCTION LESS DEPRECIATION.

	Cost of Repro- duction New.	Depreciation.	Cost of Repro- duction Less Depreciation.
Land	\$1,620	.....	\$1,620
General Equipment	330	\$80	250
Works and Station Structures	5,830	400	5,430
Gas Holders	27,130	800	26,330
Furnaces, Boilers and Accessories	4,130	400	3,730
Misc. Power Plant Equipment	100	10	90
Water Gas Sets and Accessories	5,400	800	4,600
Purification Apparatus	1,900	250	1,650
Accessory Equipment at Works	4,080	340	3,740
Trunk Lines and Mains	21,740	3,250	18,490
Services	6,450	650	5,800
Gas Meters	4,700	400	4,300
Gas Meter Installations	1,490	.....	1,490
Overhead Charges	5,100	440	4,660
	<hr/> \$90,000	<hr/> \$7,820	<hr/> \$82,180
Materials and Supplies	1,280	.....	1,280
Cash on Hand	540	.....	540
	<hr/> \$91,820	<hr/> \$7,820	<hr/> \$84,000

The Board makes the following reductions: With respect to boilers, Mr. Forstall estimates with overhead a value new of \$4,382, which would indicate a boiler capacity of approximately 125 h. p. We consider that a 40 h. p. boiler would efficiently serve the petitioner in the way of generating steam. In proof of this assertion, it might be stated that the Cape May Illuminating Company generates and sells considerably more than twice as much gas as is generated and sold by the petitioner by the use of a boiler of 60 h. p. This makes a reduction of \$3,002 in the value new and in the accrued depreciation of \$287 and in the present value of \$2,715.

Hammonton and Egg Harbor City Gas Co.—Increase in Rates.

In the same way, and for similar reasons, a deduction of \$4,290 is made in the cost new of holders, \$115 decreased in the amount of accrued depreciation, making a total decrease in the present value of \$4,175. For water gas sets a reduction of \$1,705 is made in the value new, \$250 in depreciation accrued, and \$1,455 in the present value. For other small items a reduction of \$179 is made in the value new, \$12 in accrued depreciation and \$167 in the present value thereof. The sum of these items makes a total reduction in the value new of \$9,176, in accrued depreciation of \$664, and present value of \$8,512. The results of these modifications are shown in Table II, following:

TABLE II.

CAPITAL USED AND USEFUL.

	Cost to Reproduce New.	Accrued Depreciation.	Cost to Reproduce New Less Accrued Depreciation.
Forstall's Appraisal, P-2, sh. 5—			
Fixed Capital	\$90,000	\$7,820	\$82,180
Working Capital	1,820	.....	1,820
Total Capital	\$91,820	\$7,820	\$84,000
Deductions, boilers, holders, water gaskets,	9,176	660	8,512
Valuation as taken	\$82,644	\$7,020	\$75,488

This modified valuation indicates a value new of \$82,644. Inasmuch as the testimony shows that the depreciation which is accrued has not been made good out of the rates charged, the Board will allow the inclusion of the accrued depreciation in the base for rates and for the purposes of this report will accept \$82,644 for that purpose.

Hammonton and Egg Harbor City Gas Co.—Increase in Rates.

II. ANNUAL APPROPRIATION TO PROVIDE FOR ACCRUING DEPRECIATION.

Depreciation by Inspection.

Mr. Tompkins stated (testimony, page 28) that the physical property was in bad shape when the present owners began the operation of the plant in 1909 or 1910 and that it required the immediate expenditure of capital to put the property in better physical condition. The value of fixed capital in the gas department, as reported to the Board in the petitioner's annual report, was \$103,323 as of January 1st, 1911; this had grown to \$111,588 at December 31st, 1917, which is the date of the appraisal made by Mr. Forstall, above given in detail. This indicates an increase in book capital of \$8,265 in a period of seven years. Deducting one-half of this amount to the adjusted fixed capital of \$80,824, derived from Mr. Forstall's figures, gives an average fixed capital during the seven-year period of \$76,691. The modified accrued depreciation on the property, assuming it to be new on January 1st, 1911, is \$7,156, which is 9.23% of the fixed capital, or an average of 1.32% a year. The fixed capital in 1917 was, as stated, \$80,824. This, multiplied by 1.32%, indicates an annual accruing depreciation at that date of \$1,069. If the property had accrued depreciation in 1911, this figure would be still smaller, assuming the accuracy of Mr. Forstall's inspection of the accruing depreciation.

Depreciation by Life Tables.

Mr. Forstall, on page 2 of Exhibit P-3, states that he used life tables to determine the amount of annual appropriation to provide for accruing depreciation and arrived at the figure of \$2,234 instead of \$1,069, indicated by the preceding method, which he did not follow. In view of the fact that transmission and distribution expense increased about 65% in 1917, as compared with the same item in 1916, it would appear possible that a certain amount of replacements may have been provided for in this item.

In times of emergency the Board is not inclined to allow large appropriations to reserve, especially in cases where the petitioner

Hammonton and Egg Harbor City Gas Co.—Increase in Rates.

has not been provident in such matters when times were more propitious. The Board will allow for this item \$1,000 to be used to create a reserve for amortization of capital and it is to be used for no other purpose.

III. ESTIMATE OF GAS TO BE MADE AND SOLD IN 1918.

In Exhibit P-3, page 4, Mr. Forstall gives an estimate of operating expenses, taxes and returns on capital, based on the estimated manufacture of 12,050 thousand cubic feet of gas. This estimate is made up as follows:

Sales	10,100,000 cu. ft.
Used by company	55,000
Given to municipality.....	345,000
	<hr/>
Company and franchise use.....	400,000 cu. ft.
Unaccounted for	1,550,000 cu. ft.
	<hr/>
Total gas to be made	12,050,000 cu. ft.

The Board makes the same estimate, except that it excludes the item of 345,000 cubic feet of franchise gas in this determination of a just rate. The reasons for this are given in the statute creating this Board.

The revised estimate is as follows:

Sales as estimated by company.....	10,100,000 cu. ft.
Used by company	50,000
Unaccounted for	1,550,000
	<hr/>
Total non-revenue gas	1,600,000 cu. ft.
	<hr/>
Total gas to be manufactured.....	11,700,000 cu. ft.

IV. OPERATING EXPENSES AND REVENUE DEDUCTIONS.

Mr. Forstall uses the 1917 operating results, increased by present-day increased costs, to build up the corresponding costs for 1918 and arrived at a cost (excluding return on capital) of \$16,490 for 12,050,000 cubic feet made. The Board modifies his table (Exhibit P-3, page 4) as follows:

Hammonton and Egg Harbor City Gas Co.—Increase in Rates.

Mr. Forstall assumed that the boiler fuel consumed during 1917 was a proper amount. The total amount of boiler fuel consumed during the past seven years was 1,156 tons, which made 69,421 cubic feet of gas. During 1917, however, 246 tons were used to make 11,424,600 cubic feet. The seven-year average (including the 1917 high figure) indicates that this consumption is 22.7% too high. Making this adjustment the production cost for 1917 was 69.76 cents per thousand cubic feet made. The modified operating expenses for 1918 are:

Production expense, 11,700 M. cu. ft. at 69.76 cents.....	\$8,162
1917 Expenses Holder to Burner (excluding amortization)....	3,855
Salary and wage increases.....	266
*Increase in cost of Boiler Fuel (11,700 x 0.00055 x 37).....	238
*Increase in cost of Generator Fuel (11,700 x 0.00055 x 57.4)	369
*Increase in cost of gas oil (11,700 x 0.0144 x 3.54).....	597
Appropriation to amortization reserve.....	1,000
Increase in taxes.....	80
	<hr/>
	\$14,567

TOTAL Revenue Deductions

V. RECAPITULATION OF NEEDED REVENUE TO EARN 6% ON VALUE.

6% on \$82,644 is.....	\$4,959
Revenue deductions.....	14,567
	<hr/>
TOTAL Revenue required.....	19,526
Deduct revenue from Sundry sales, 1917.....	335
	<hr/>
To be raised from sales of gas.....	\$19,191

We will test the accuracy of the above result by the following analysis. The petitioner operates both a gas and an electric department. Its secretary estimates (testimony, page 17) that four-sevenths of the proceeds from bonds, stocks and loans should be allocated to the gas department. The following information relating thereto is taken from the petitioner's 1917 annual report to the Board and apportionment to the gas department is made as indicated by the secretary's testimony above cited.

*Based on Ex. P-1.

Hammonton and Egg Harbor City Gas Co.—Increase in Rates.

	Totals	Gas Depart- ment 4-7ths.
Funded debt.....	\$70,000	\$40,000
Loans.....	73,450	42,000
Subtotal.....	\$143,450	\$82,000
Capital Stock.....	70,000	40,000
Totals.....	\$213,450	\$122,000

A consideration of the appraisal submitted in this matter indicates that the stock apportioned to the gas department has no underlying value to support it. To provide for the payment of interest on \$40,000 of bonds at 5%, requires \$2,000, and to provide for the payment of 6% interest on loans of \$42,000 requires \$2,520. The sum of these two items is \$4,520, which is \$439 less than 6% on \$82,644, shown by the appraisal as modified.

This \$439 may be used to take care of discounts proposed in the schedule submitted for approval, as well as contingencies.

It will be noted that the general and miscellaneous expenses, excluding appropriation for amortization for 1915, amounted to \$620 or 6.98 cents a thousand feet of gas sold, whereas the same item in 1917 was \$1,340, or 14.08 cents per thousand. These expenses are largely within the control of the management, and this increase seems to be proportionally quite large. The advisability of assuring some reduction in this expense might be given careful consideration by the management.

•

CONCLUSIONS.

The Board therefore finds and concludes:

1. That, subject to the limitations hereinafter stated, the gross rate per thousand cubic feet of gas sold shall be one dollar and ninety cents (\$1.90).

2. That said gross rate shall be subject to a discount of ten cents (10c.) per thousand cubic feet if paid before the tenth of the month and if the bill shall have been rendered ten days prior thereto.

West Jersey Electric Co.—Schedule of Rates.

3. That, subject to the limitations hereinafter set forth, gas through prepaid meters shall be charged for at the rate of one dollar and eighty cents (\$1.80) per thousand cubic feet.

4. That this schedule shall be effective for all sales made on and after the date of this report.

5. That the Board will retain jurisdiction in this matter and acceptance by the company of the increases herein allowed shall be taken as a stipulation that abrogation or modification of the rate herein allowed may be made as and if conditions as indicated by operating results warrant.

6. Beginning at the effective date of said schedule of rates, the company is to render reports monthly to the Board showing the Operating Revenues, Operating Deductions excluding General Amortization, Non-Operating Income, Income Deductions and balance available for Amortization, Dividends and Surplus and amount appropriated for General Amortization for each succeeding calendar month, with comparison with the figures for the corresponding month of 1917.

Dated July 17th, 1918.

No. 589.

**IN THE MATTER OF THE APPLICATION OF THE WEST JERSEY
ELECTRIC COMPANY TO FILE AN AMENDED SCHEDULE OF
RATES.**

An electric utility serving seaside resorts and found to be in need of increased revenue is allowed to discontinue discounts for prompt payments.

J. Fithian Tatem, for the petitioner.

The present schedule of rates in effect is as follows:

“Rates and Discounts for Full Year Meter Consumers:
Rate, 15 cents per 1,000 Watt Hours.

 West Jersey Electric Co.—Schedule of Rates.

Discounts as follows will be allowed if paid within five days:

Bills over \$3.00 and less than \$5.00, 5%.

Bills over \$5.00 and less than \$10.00, 10%.

Bills over \$10.00 and less than \$25.00, 15%.

Bills over \$25.00, 20%.

Minimum rate, \$1.00 per month.

“Rates and Discounts for Summer Consumers:

Meter Rate, 20 cents per 1,000 Watt Hours.

Discounts as follows will be allowed if paid within three days:

Bills over \$5.00 and less than \$10.00, 10%.

Bills over \$10.00 and less than \$15.00, 15%.

Bills over \$15.00 and less than \$20.00, 20%.

Bills over \$20.00 and less than \$30.00, 25%.

Bills over \$30.00 and less than \$40.00, 30%.

Bills over \$40.00 and less than \$50.00, 35%.

Bills over \$50.00, 40%.

Minimum rate, \$1.50 per month.”

The proposed schedule of rates is as follows:

“Rates for premises occupied throughout the entire year by same consumer.

Rate, 15 cents per 1,000 Watt Hours.

Minimum rate, \$1.00 per month.

“Rates for premises occupied during a portion of the year only, or by different consumers.

Rate, 20 cents per 1,000 Watt Hours.

Minimum rate, \$1.50 per month.”

The only difference between the schedules is the discontinuance of the discounts heretofore allowed.

The matter was heard on June 3d. Counsel for the petitioner, when questioned as to notice given to the authorities of the municipalities concerned, stated that they had been given notice and that like notice was published in the newspapers. As to whether the matter was brought up before the Borough Council meetings,

West Jersey Electric Co.—Schedule of Rates.

he said: "I simply have this matter from the Mayors of each of these municipalities personally, in which they said the matter was brought up and considered and they decided that they would not make any protest, as they felt that the company was inclined to treat the people fairly, and whatever the Commission determined the company ought to have would be satisfactory to them."

Counsel for the petitioner further stipulated that the application was to be treated as an emergency case.

The municipalities served by the petitioner are seaside resorts and more than one-half of its total annual business is done during July, August and September. We realize that injustice might be done the company by any unnecessary delay.

The company's estimate of 20% decrease in revenue for the present summer season, owing to the inauguration of the daylight saving plan, is, at best, a guess.

We have examined the operating revenues, operating deductions excluding general amortization, non-operating income, income deductions and the balance available for amortization, dividends and surplus in the years 1916 and 1917. We have also considered the increased operating costs of the company for the present year and from such examination find the company entitled to some increase of revenues.

There is a discrimination existing between the all-year-around customer and the seasonal customer in that the base rate charged the latter is one-third larger than that charged the annual customer. This schedule, however, has been the legal schedule charged by the company for a number of years without challenge. The Board will therefore permit the proposed schedule to go into effect subject to the following conditions:

1. That the schedule may be effective from the date of this report up to and including December 31st, 1918.

2. That on or before November 30th, 1918, the petitioner shall furnish a complete analysis of its consumers' ledger accounts showing:

- (a) Analysis of the consumption and revenue by months, of each domestic customer for the year ending October 31st, 1918. These may be grouped by blocks of current used in kilowatt hours per month as follows: 1-10, 11-20, 21-30, 31-40, 41-50, 51-75, 76-100, 101-125, 126-150, and so on.

Pleasantville Heat, Light and Power Co.—Sale of Property.

(b) A similar analysis of the consumption and revenue from power customers, beginning at the foregoing blocks and continuing by suitable blocks to the highest amount of current consumed by any power customer per month.

(c) Any other information pertinent to the development of a graduated schedule of rates.

3. Acceptance by the company of the increases herein allowed will be taken as a stipulation that abrogation or modification of the war surcharge may be made as and if the conditions as indicated by operating results warrant.

4. Beginning at the effective date of said schedule of rates, the company is to render reports monthly to the Board showing the Operating Revenues, Operating Deductions excluding General Amortization, Non-Operating Income, Income Deductions and balance available for Amortization, Dividends and Surplus and amount appropriated for General Amortization for each succeeding calendar month, with comparison with the figures for the corresponding month of 1917; and the Board will retain jurisdiction of the emergency or war surcharge as herein approved for the purpose of modifying or abrogating the same as and if the conditions change.

Dated July 23d, 1918.

No. 590.

IN THE MATTER OF THE APPLICATION OF THE PLEASANTVILLE HEAT, LIGHT AND POWER COMPANY TO SELL TWO CERTAIN PIECES OR LOTS OF LAND, WITH BUILDINGS THEREON ERECTED, LOCATED IN PLEASANTVILLE, ATLANTIC COUNTY, NEW JERSEY, TO THE ATLANTIC CITY SUBURBAN GAS AND FUEL COMPANY.

1. Application is made by the Pleasantville Heat, Light and Power Company, owning property used by the Atlantic City Suburban Gas and Fuel Company for permission to sell said property to the latter company for \$36,648.

2. The Board finds the fair and reasonable value of the property to be \$25,795.

Pleasantville Heat, Light and Power Co.—Sale of Property.

3. The application will be dismissed, but, if requested, approval will be given for the sale of the property for \$26,000, provided accrued rentals of \$6,250 due the purchasing by the selling company for other property, formerly leased, shall be paid or allowed as a credit on the purchase price at the time of passing title to the Atlantic City Company.

Joseph Thompson, for the petitioner.

Grover C. Richman, for the Board.

A petition in the above matter was filed with this Board, seeking approval of the Board for the sale of the property hereinafter more particularly described.

The petitioner and the proposed purchaser are corporations organized under the laws of the State of New Jersey, located and doing business in Pleasantville, New Jersey. During the year 1908 the Atlantic City Suburban Gas and Fuel Company leased its property rights and franchises to the Pleasantville Heat, Light and Power Company for a period of ninety-nine years, and the last-named company assumed the operation of the said property under the said lease and continued to operate it until January 1st, 1918, when the lease was surrendered to the Atlantic City Suburban Gas and Fuel Company, the lessor, and by it taken possession of, and it is now in possession of the same and is operating the property. The Pleasantville Heat, Light and Power Company alleges that during its operation it was obliged to increase the output of gas and in order to do this it was necessary to purchase a tract of land, erect thereon buildings and install therein machinery; that after the erection of the buildings and the installation of the machinery, the same were used by the Pleasantville Heat, Light and Power Company continuously until the surrender of the lease above referred to; that to accommodate the business of the company it has been necessary to establish an office in the business section of Pleasantville; that as no proper office building could be procured for the purpose of the business of the company it was necessary to purchase a lot upon which a building was erected that could be used as an office for the company; that the said company was in possession and using the same at the time of the surrender of the lease (December 31st, 1917), and the Atlantic City Suburban Gas and Fuel Company

Pleasantville Heat, Light and Power Co.—Sale of Property.

is now in possession of both of the said properties and using the same in connection with the business of the said company, and that this is by permission of the Pleasantville Heat, Light and Power Company, who is the owner of this property, having title to the said tract of land upon which the buildings are erected.

The further statement is made that \$36,648 was expended by the Pleasantville Heat, Light and Power Company in extending the plant as aforesaid; that the value of the same has been appraised by experts qualified to determine the value of said properties, and that they have appraised the same at the sum aforesaid, subject to two mortgages amounting in the aggregate to \$6,000, which mortgages were against the property at the time the Pleasantville Heat, Light and Power Company took title to the same.

At a meeting of the stockholders of the Pleasantville Heat, Light and Power Company they authorized the Directors of the said company to sell said two properties to any person or corporation who would purchase the same, for the sum of \$36,648, subject to the aforesaid mortgages of \$6,000, and they also authorized the officers of the company to accept in payment for the same a mortgage for the full purchase price, \$36,648.

As part of its affirmative proof at the hearing on this matter, the Atlantic City Suburban Gas and Fuel Company submitted appraisals of the properties in question as follows:

1. T. B. Wootten, a real estate expert of Pleasantville, appraised the lot of land, exclusive of building thereon, situated on the southwest corner of the Pleasantville and Atlantic City Turnpike and Franklin Avenue, consisting in dimensions of a fifty-foot frontage on the said turnpike and extending southwestwardly along Franklin Avenue a distance of seventy-three and seven-tenths feet to the right of way of the Reading Railroad in Pleasantville, New Jersey, at a value of \$500.

2. The same expert valued the property situated on the southwest side of and numbered 4 South Main Street, in Pleasantville, New Jersey, consisting of a lot with frontage of twenty feet on South Main Street, with an adjoining ten feet right of way in the rear to East Washington Avenue, a two-story brick building and the contents thereof, consisting principally of office fixtures, at \$7,000.

Pleasantville Heat, Light and Power Co.—Sale of Property.

The company, likewise, submitted an appraisal made by experts of the United Gas Improvement Company as of January 21st, 1918, which included the addition to the generator building complete, with the apparatus therein installed, at a value new (and as of prices prevailing in January, 1918), of \$29,148. The sum of these appraisals aggregates \$36,648, and the approval of the Board for the sale by the Pleasantville Heat, Light and Power Company to and the purchase by the Atlantic City Suburban Gas and Fuel Company of this property at the figure of \$36,648 is sought by the petitioner. The figure of \$36,648 is not, however, the *cost* of the property in question as is alleged by the petitioner herein.

It becomes necessary to determine whether the value placed upon this property is fair and reasonable. In Appendix "A," accompanying this report, are set up the following tabulations showing either the original cost or the estimated cost to reproduce new and the depreciated value thereof, viz.:

1. Either the contract price or the original cost new to the company of the addition to the generator building and the equipment therein. From the statement furnished by the company is deducted 22.7% for the equipment not located in the building and installed by the Pleasantville Heat, Light and Power Company, but not owned by it. The cost figure so derived is \$17,326. This does not include, however, the land under the addition to the generator building, nor does it include the office building and lot.

2. This shows the value by the appraisal made by experts of the United Gas Improvement Company, of the estimated cost to reproduce new at prices current in January, 1918, of the generator building and its equipment, totaling \$37,734, from which the appraiser deducted \$8,586 of equipment, which was in the adjoining generator house and not included in the sale, the approval of which is herein sought. This leaves \$29,148 as the estimated cost to reproduce new the building and equipment. Adding to this \$500 for the lot upon which the generator building is located and \$7,000 for the office building and lot, gives a total of \$36,648, at which price the petitioner herein asks approval of sale to the Atlantic City Suburban Gas and Fuel Company, who alleges (petition, paragraph 4) "that there was *expended* by the

Pleasantville Heat, Light and Power Co.—Sale of Property.

Pleasantville Heat, Light and Power Company in extending the plant as aforesaid the sum of \$36,648," etc.

3. In the matter of the application of the Atlantic City Suburban Gas and Fuel Company (the proposed purchaser of said property) for an increase in rates, which was heard by the Board recently, and a report on which was issued June 26th, 1918, this identical property was valued by Mr. W. DeWitt Vosbury on behalf of the objectors in the said matter and this valuation was revised on behalf of the company, that is, the Atlantic City Suburban Gas and Fuel Company.

4. The valuation shown in (3) was accepted by Mr. Forstall on behalf of the company as being fair and reasonable so far as the cost to reproduce is concerned, the only exception taken by Mr. Forstall being with respect to a deduction of about \$359 from the amount of the accrued depreciation thereon.

The following table will give a summary of the cost new or the value new, as the case may be, the accrued depreciation, and the present value under these four set-ups.

SUMMARY OF APPRAISALS AND ORIGINAL COST OF PROPERTY.
APPROVAL OF THE SALE OF WHICH IS SOUGHT.

	<i>Appraisal Values</i>			
	(1) Original Cost, Supple- mented	(2) U. G. I. Co. for seller	(3) Vosbury for citi- zens	(4) Forstall for pur- chaser
Plant building and equipment gross	\$22,414	\$37,734	\$27,420	\$27,420
Deduct 22.7% owned by A. C. S. G. and F. Co.	5,088	8,586	6,225	6,225
	<hr/>	<hr/>	<hr/>	<hr/>
Plant property to be bought and sold	17,326	29,148	21,195	21,195
Plant land, office building and land	(1) 6,875	(2) 7,500	(1) 6,875	(1) 6,875
	<hr/>	<hr/>	<hr/>	<hr/>
Cost or value new	24,201	36,648	28,070	28,070
Less accrued depreciation ...	(3) 4,235	(3) 6,413	4,979	4,620
	<hr/>	<hr/>	<hr/>	<hr/>
Present depreciated cost or value	19,966	30,235	23,091	23,450

(1) Vosbury's appraisal value accepted by company.

(2) Wootten's appraisal.

(3) 17½% to agree with Forstall—company's expert.

Pleasantville Heat, Light and Power Co.—Sale of Property.

The present value, according to Mr. Vosbury, is \$23,091. The amended present value by Mr. Forstall is \$23,450. The original contract price or original cost new of the addition to the generator house, building and its equipment is \$17,326. If we add to this \$6,875 as the value new of the two pieces of land and of the office building, accepted by Mr. Forstall, we arrive at a figure of \$24,201. Deducting \$4,235 for accrued depreciation, leaves \$19,966 as the present value based on original cost. It would appear, then, that the value of the property as of the present date is more fairly represented by Mr. Forstall's amendment of Mr. Vosbury's present value (i. e., \$23,450). Adding 10% for intangible values gives a total present value of \$25,795 as the fair and reasonable value of the property at the present time. This was the basis at which this property was used by the Board in developing the rates to be allowed to be charged by the Atlantic City Suburban Gas and Fuel Company in the Board's report dated June 26th, 1918.

Inasmuch as the petition asks that the sale be approved at the figure of \$36,648 for the identical property, which is substantially 41% in excess of its values, the Board will withhold its approval of the proposed sale on the ground that it does not find \$36,648 to be the fair value of the property sought to be sold by the petitioner.

The Board therefore finds and concludes:

1. The petition will be dismissed for the reasons set forth in this report.

2. Inasmuch, however, as the Board has ascertained the fair value of the property involved in this petition, it will, if the company requests it, approve of the sale of the property herein described for \$26,000, provided the accrued rental of \$6,250, due by the Pleasantville Heat, Light and Power Company, shall be paid or allowed as a credit on the purchase price at the time of passing title to the Atlantic City Suburban Gas and Fuel Company, to whom the said amount of \$6,250 is due under the terms of the lease hereinabove referred to.

Dated July 24th, 1918.

Pleasantville Heat, Light and Power Co.--Sale of Property.

APPENDIX "A."

APPRAISED VALUES AND ORIGINAL COST VALUES OF PROPERTY, THE APPROVAL OF SALE OF WHICH BY THE PLEASANTVILLE HEAT, LIGHT AND POWER COMPANY IS SOUGHT.

	Contract Price or Orig. Cost	Value as per U. G. I. 1-21-18	VOSBURY		FORSTALL	
			Cost to Reproduce	Amount	Cost to Reproduce	Amount
5' generator set complete.....	\$5,994	\$9,910	\$9,760	\$2,502	\$9,760	\$2,502
Turbine blower complete	709	797				
Blast pipe complete	288	305				
Oil meter, injector, gauge, etc.....	276	322				
Hydraulic elevator complete	625	1,650				
Coal buggy	60	80				
(2) Oil pumps	124	(107)				
Exhauster complete	704	1,419	1,362	346	1,362	346
Tar extractor complete	732	1,013	690	131	690	131
Tar separator complete (iron).....	502	516	414	66	414	66
The items below were not furnished by U. G. I. Co. in original contract, but were included in their appraisal 1-21-18.						
125' yard connection	500	625				
(2) 70 h. p. boilers complete	4,000	5,363	4,830	1,236	2,415	618
Feed water heaters	275	715	115	30	2,415	153
4 pumps complete	500	805	381	97	115	30
(2) 50-gallon oil tanks	20	20	405	103	381	97
3 lockers	10	10			405	103
Electric wiring	25	25				
Tar tank	20	20	23	6	23	6
Tar separator (wood)	50	50	46	12	46	12
Building complete	7,000	13,875	9,394	1,234	9,394	1,234
Total	\$22,414	\$37,734	\$27,420	\$5,763	\$27,420	\$5,298
Deductions as per U. G. I., 1-29-18.....			\$5,088(1)	\$3,586	\$4,910(1)	\$6,225(1)
Amdevlt } Sale value		\$17,326		\$29,148	\$16,741	\$21,195
of } Off. bldg. and lot.....		not		7,000	5,850	6,375
Wootten } Land and gen. house.....		given		500	500	500
				\$36,648	\$28,070	\$28,070
					\$23,001	\$23,450

(1) Same deduction of 22.7% made as was made by the U. G. I. appraisal.

Pennsylvania Railroad Co.—Abandonment of Station.

No. 591.

IN RE APPLICATION OF THE PENNSYLVANIA RAILROAD COMPANY
FOR ABANDONMENT OF STATION AT TAYLORS, IN THE STATE
OF NEW JERSEY.

H. H. Garrigues and *R. B. M. Burke*, for Pennsylvania Railroad Company.

Howard G. Taylor, for property owners.

Application is made by the Pennsylvania Railroad Company for abandonment of the non-agency station at Taylors, New Jersey, on its Trenton Division.

Hearings were held at Trenton on June 25th and July 16th.

The station known as Taylors is .8 miles west of Cambridge Station and 1.9 miles north of Riverton Station. Trains only stop at this station on signal. According to the company's record five persons use it each day. The station building is a shelter 12 feet by 8 feet, closed on three sides. The traffic is light; there is no agent at this point, and it is only a flag stop for a small number of trains. The saving to the company, and the small cost of the maintenance of the shelter shed and platform are not important items.

Under all the circumstances, the Board is of the opinion that the said station should not be abandoned.

Dated July 30th, 1918.

Pennsylvania Railroad Co.—Abandonment of Station.

No. 592.

IN RE APPLICATION OF THE PENNSYLVANIA RAILROAD COMPANY
FOR ABANDONMENT OF STATION AT GRANT STREET, MT.
HOLLY, IN THE STATE OF NEW JERSEY.

H. H. Garrigues and *R. B. M. Burke*, for Pennsylvania Railroad Company.

Herbert S. Killie, for Mt. Holly Business Men's Association and Northampton Township.

Application is made by the Pennsylvania Railroad Company for abandonment of the non-agency station at Grant Street, Mt. Holly, New Jersey, on its Trenton Division.

Hearings were held at Trenton on June 25th and July 16th.

The petitioner having agreed to furnish the protection at Grant Street and also at Water Street and Washington Street, as requested by the inspector of this Board, the Board will give its permission to the abandonment of the said station at Grant Street during the period of the war and a reasonable time thereafter. It can then be definitely determined, in view of conditions at that time, whether or not the station should be permanently abandoned.

Dated July 30th, 1918.

Washington Electric Co.—Increase in Rates.

No. 593.

IN THE MATTER OF THE APPLICATION OF THE WASHINGTON
ELECTRIC COMPANY FOR INCREASE IN RATES.

1. A customer using motors of high horse power for short intervals should pay for the readiness of the plant to serve whenever he demands service.

2. It is logical that a rate for electric power should be separated into two elements; one dependent on the demand which the customer imposes by the capacity of the apparatus which may take current at the will of the customer, the other dependent on the actual kilowatt hours of current used.

3. A schedule of rates providing increases to meet increased costs due to abnormal conditions is permitted to become effective for a temporary period on condition that on or before the end of the period the company shall furnish an inventory and appraisal of its property based on fair unit costs prevailing for five years prior to the year 1917, such appraisal to show reproduction cost new, the amount of unearned depreciation and the present value of the property, also such information as to accounts and customers' equipment as will be helpful in approximating the maximum demand.

Thomas W. Haldeman, for the petitioner.

Charles L. Stryker, for himself.

John Sommer, for the Sommer Company.

The company submitted a petition asking for an increase in rates and subsequently amended same in certain respects.

The existing schedule of rates of this company is as follows:

<i>Light</i> .—15c. per K. W. hour, with discount on bills not exceeding \$5.00 per month		15%
Over \$5.00, not exceeding \$10.00		25%
Over \$10.00, not exceeding \$20.00		33½%
Over \$20.00, not exceeding \$30.00		40%
Over \$30.00, not exceeding \$40.00		45%
All over \$40.00		50%

Power.—Day load from 7 A. M. to 6 P. M.

10c. per K. W. hour, same discount.

Minimum charge, \$1.00 per H. P. installed.

Contract—1,000 K. W. per month, minimum.

5c. for first 1,000 K. W. hours.

4c. for second 1,000 K. W. hours.

3c. for third 1,000 K. W. hours.

2½c. for all after.

Washington Electric Co.—Increase in Rates.

The amended petition sets forth the following proposed increased rates:

Light.—First 50 K. W. hours, 15c. per K. W. hour.
Second 50 K. W. hours, 10c. per K. W. hour.
All over, 9c. per K. W. hour.

With a uniform cash discount of 5% to apply until the 10th of the month following delivery.

Minimum charge of \$1.00 per meter for any month.

Power.—Demand charge of \$3.00 per H. P., maximum demand, with 3c. per K. W. hour motor registration for first 3,000 K. W. hours, and 2½c. for all after.

Demand charge based on the following:

	1 Motor.	2 to 3 Motors.	4 to 7 Motors.	8 Motors and over.
	%	%	%	%
● 3 H. P. and less.....	90	80	..	..
Above 3 H. P. to 5.....	80	75	70	..
Above 5 H. P. to 7.....	75	70	65	..
Above 7 H. P. to 10.....	70	65	60	55
Above 10 H. P. to 20.....	65	60	55	50
Above 20 H. P. to 40.....	60	55	50	46
Above 40 H. P. to 50.....	..	50	46	42
Above 60 .....	..	40	38	55

With 5% discount for payment by tenth of month succeeding that when current is supplied.

Hours of power service, 7 o'clock A. M. until 12 o'clock noon, and 1 o'clock P. M. until 6 o'clock P. M.

For small motors operating on lighting schedule, \$1.00 minimum charge per H. P., or fraction of H. P., installed.

The original petition alleges: “We * * * * do ask for such increase as will cover the increased costs which are of common knowledge * * * * such increases to date from May 1st, 1918, and to continue only so long as present conditions prevail.”

Washington Electric Co.—Increase in Rates.

The petitioner gave due notice in the local newspapers of its intention to apply for this increase in rates and of the date of hearing before this Board.

The matter was heard on May 7th, 1918, and was held pending the receipt of certain information with respect to the maximum demand of one of the protesting customers.

It will be noted that the proposed schedule not only increases rates but changes the form of the rates, both with respect to commercial metered light and commercial metered power, and also proposes to omit service at the noon hour from 12 to 1 o'clock.

The petitioner did not submit a valuation nor a classification of its ledger accounts showing the amount of current used monthly, the maximum demand of power customers and the revenue derived from customers, by classes, all of which are elements in the determination of proper schedules for the various classes of service. In its proofs the petitioner shows increased costs and shows further that its net operating loss for January, February and March, without any return whatsoever on capital, was \$706.08, or, if extraordinary repairs amounting to \$272.87; due to abnormal conditions, be deducted, the net loss for the first quarter of 1918 was \$433.81, without any provision being made for interest on its bonds. The bonds of this company outstanding amount to \$50,000 and the annual interest thereon amounts to \$2,500. It is apparent, therefore, that the company, in order to remain solvent, must receive emergency relief, but the Board cannot, under the proof submitted, determine the proper measure of this relief and whether the present rates are the proper rates, either as to amount or as to class.

There were two objectors to the proposed rates for power. Mr. Sommer, when it was explained to him that the proposed schedule of rates applied to his 1917 bills would have increased his bills 9.9%, said (testimony, p. 32): "I am satisfied to pay that." Mr. Stryker, however, complained of the fact that the capacity horsepower of his motors was large in comparison with the actual consumption of current, and he would be compelled to pay a larger rate by reason of the maximum demand imposed by the new schedule. If, however, the rates were properly prepared in the first instance, a customer using motors of high horsepower for short intervals should pay for the readiness of the plant to serve whenever he

Washington Electric Co.—Increase in Rates.

demands service. It may be readily seen that a plant which has a uniform consumption throughout the period during which operated can operate with a minimum of generating equipment and with a maximum efficiency. If current is discontinued for a portion of the time or is very small in amount the fires will have to be banked or checked with a corresponding loss of efficiency and when the peak demand comes on much larger capacity (comparatively idle during the period of low load) would have to be provided in order to furnish current during the peak. For this reason it is logical that the rate should be separated into two elements, one dependent on the demand which the customer imposes by the capacity of the apparatus which may take current at the will of the customer, and the other dependent on the actual kilowatt hours of current used by him. All properly prepared schedules of rates recognize this principle. It is not to be assumed, however, that the schedule of rates submitted by the petitioner, in the absence of further proof, is properly derived to fit the conditions of operation in Washington.

The proposed rates of the petitioner are based on those of the Lambertville Public Service Company, which serves a community in the vicinity of Washington. The objectors make a comparison of the proposed rates with those of the Hackettstown Electric Company. In this connection it might be pertinent to state that the amounts of fixed capital as shown by the 1917 reports of the respective companies per kilowatt hour of current sold are as follows:

Hackettstown Electric Company	0.154
Lambertville Public Service Company	0.543
Washington Electric Company	0.442

The great disparity in amount of capital with reference to the sales might easily be explained by a higher plant load factor in one case than in the other or might arise from the fact that the fixed capital is not based on actual physical cost, but contains many items which would disappear in a proper appraisal of the property. For this reason an appraisal is necessary to derive a proper rate of rates.

Washington Electric Co.—Increase in Rates.

SERVICE.

The objectors complained that the service of the Washington Electric Company was at times defective. Mr. Stryker complained that owing to the high-frequency type of apparatus installed a number of years ago at the plant of the Washington Electric Company, which is no longer standard, this kind of current involves the use of motors which do not efficiently utilize the electric current furnished by the petitioner. The petition submitted in this matter recognizes the fact that the equipment is of rather an antiquated type, but alleges that the earnings enjoyed by it have not been sufficiently large to enable it to provide out of revenue for the replacement of the units with more modern type of equipment. Mr. Sommer did not complain so much with respect to this as to the fact that the amount of current supplied to his factory during the day would decrease to such an extent that at times he would have to discontinue the use of certain portions of his equipment, owing to the fact that the amount of current delivered to his service line was not adequate to actuate all of the motors in use in his factory. It is to be understood that the company will be expected to furnish safe, adequate and proper service at all times during which service is intended to be furnished, as shown by the schedule as set forth hereinabove. If such service is not rendered it is both the privilege and the duty of customers to make a complaint to this Board in order that the conditions complained of may be corrected, to the end that each customer may receive all the current which is necessary for his proper use and that the company may derive the benefit of the revenue from such consumption. Good service leads to satisfied customers and an increased revenue.

The Board therefore finds and concludes:

1. (a) That the day current for power shall be furnished continuously from 7 A. M. to 6 P. M.

(b) That the proposed schedule of rates may become effective from the date of this report for a period ending December 31st, 1918, subject to the following conditions:

Washington Electric Co.—Increase in Rates.

2. (a) That on or before December 1st, 1918, the company shall furnish an inventory and appraisal of its property based on fair unit costs prevailing for five years prior to 1917. This appraisal is to show the reproduction cost new, the amount of accrued depreciation and the present value of the property and is to be arranged in accordance with the Board's uniform system of accounts for electric light and power companies.

(b) The petitioner is to furnish, on or before December 1st, 1918, a classification of its customer ledger showing for each month of the year preceding July 1st, 1918, its commercial metered light customers classified by the amount of current used per month in the following kilowatt hour blocks: 1-10, 11-20, 21-30, 31-40, 41-50, 51-75, 75-100, over 100; and commercial metered power customers, the maximum demand of the connected apparatus of each power customer, if possible, if not, a description of the power equipment with such details as may be helpful to approximate the maximum demand. Also by months the consumption of each power customer arranged in blocks of current as indicated above, and extending in larger convenient blocks to the largest consumption in any one month of the largest customer. Along with the consumption is to be stated in each case the monthly revenue corresponding to such consumption, and the corresponding revenue under the proposed rates.

3. Failure to file an inventory and appraisal and other information as provided in (2) will automatically cancel the schedule hereinbefore permitted to be filed and the rates now effective shall again become the lawful rates to be charged by the applicant utility on and after such default.

4. Acceptance by the company of the increases herein allowed will be taken as a stipulation that abrogation or modification of the schedule of rates herein allowed may be made as and if conditions as indicated by operating results warrant.

5. Beginning at the effective date of said schedule of rates, the company is to render reports monthly to the Board showing the Operating Revenues, Operating Deductions excluding General Amortization, Non-Operating Income, Income Deductions and balance available for Amortization, Dividends and Surplus and amount appropriated for General Amortization for each succeed-

Toms River Electric Co.—Increase in Rates.

ing calendar month, with comparison with the figures for the corresponding month of 1917; and the Board will retain jurisdiction of the emergency or war surcharge as herein approved for the purpose of modifying or abrogating the same as and if the conditions change.

It is RECOMMENDED that, to the end that Mr. Stryker's maximum demand may be accurately determined, the company install a maximum demand meter for a sufficient length of time to accurately determine this.

Dated July 30th, 1918.

No 594.

IN THE MATTER OF THE APPLICATION OF THE TOMS RIVER ELECTRIC COMPANY FOR INCREASED RATES.

1. It appearing that increased revenue is necessary if the petitioner is to continue to render adequate service to the public, rates providing for such revenue are permitted.

2. A proposed minimum rate for year round customers of \$6.00 per year and for other customers of \$1.00 per month and a proposed rule requiring a deposit of \$6.00 from each tenant supplied service are disapproved.

J. A. Riggins, for the petitioner.

Wm. H. Jeffrey, for the Borough of Beachwood.

The petitioner alleges that due notice of the proposed increase in rates has been given to each consumer by printing on the June bill a schedule of the proposed rates on the back thereof. Further notice was given by publication in local newspapers and the representatives of the Townships of Dover and Berkley and of the Boroughs of Island Heights and Beachwood, in which the petitioner operates, were notified in writing of the nature of the application and of the date of the hearing of the matter by the Board.

Toms River Electric Co.—Increase in Rates.

The existing schedule of rates is as follows:

- 15 cts. per kw.-hr. for 1 to 50 kw.-hr. per month.
- 12 cts. per kw.-hr. for 51 to 75 kw.-hr. per month.
- 10 cts. per kw.-hr. for all over 75 kw.-hr. per month.

Power Rates.

- 12 cts. per kw.-hr. for 1 to 75 kw.-hr. per month.
- 10 cts. per kw.-hr. for all over 75 kw.-hr. per month.

Minimum rate for year round consumers: \$6.00 per year.
Minimum rate for all other consumers: \$1.00 per month.

On application for service, a deposit of \$6.00 will be required of all tenants.

The proposed schedule of rates is as follows:

Ten per cent. discount on bills paid before the 15th of month.

- 20 cts. per kw.-hr. for 1 to 50 kw.-hr. per month.
- 17 cts. per kw.-hr. for 51 to 75 kw.-hr. per month.
- 15 cts. per kw.-hr. for all over 75 kw.-hr. per month.

Power Rates.

- 12 cts. per kw.-hr. for 1 to 75 kw.-hr. per month.
- 10 cts. per kw.-hr. for all over 75 kw.-hr. per month.

Minimum rate for year round consumers: \$6.00 per year.
Minimum rate for all other consumers: \$1.00 per month.

On application for service, a deposit of \$6.00 will be required of all tenants.

The hearing in the matter was held on July 2d. The petitioner stipulated that the relief sought was to cover the emergency created by war conditions only. The company put in evidence the appraised value of its property, used and useful in the service of electric current as of December 31st, 1917, depreciated for age and condition, shown to be \$55,756.80; this was based on an appraisal made by the Board's engineer, as of December 31st, 1916, continued one year by adding property installed during 1917.

The company's further proofs were summarized in its Exhibit P-4, which is shown in detail in Appendix A, attached to this report. This exhibit shows that the net annual loss from operation

Toms River Electric Co.—Increase in Rates.

of the electrical department of the petitioner, based on the first five months of 1918, would be \$1,773.51, even if the new rates had been in effect from January 1st, 1918. This will be reduced some hundreds of dollars by the profit on merchandising work estimated to be done during the year.

It is evident from the proofs that the relief asked for is necessary if the petitioner is to continue to render adequate service to the public. The Board does not approve the discriminatory minimum bill, as filed, nor the rule for deposits.

The Board therefore finds and concludes:

1. That the petition, as filed, will be dismissed.
2. (a) That the petitioner may file the following amended schedule of rates, effective from the date hereof, subject to the conditions hereinafter stated.

20 cts. per kw.-hr. for 1 to 50 kw.-hr. per month.
17 cts. per kw.-hr. for 51 to 75 kw.-hr. per month.
15 cts. per kw.-hr. for all over 75 kw.-hr. per month.

Power Rates.

12 cts. per kw.-hr. for 1 to 75 kw.-hr. per month.
10 cts. per kw.-hr. for all over 75 kw.-hr. per month.

The minimum monthly bill shall be \$1.00 for each connected customer but not more than six such minimums shall be collected during one calendar year from any one customer.

(b) That the company shall submit a new rule covering deposits to guarantee prompt payment of bills. The amount of the deposit is to be based on the amount of credit expected to be extended to the customer. The amount of credit may be determined by reference to the connected fixtures, the type of house or by reference to consumption during a previous period, but the amount of deposit required must be reasonable and not arbitrary in amount.

3. Acceptance by the company of the increases herein indicated will be taken as a stipulation that abrogation of the war surcharge of five cents a kilowatt hour of current used by commercial metered light customers may be made as and if conditions as indicated by operating results warrant.

Toms River Electric Co.—Increase in Rates.

4. Beginning at the effective date of said schedule of rates, the company is to render reports monthly to the Board showing the Operating Revenues, Operating Deductions excluding General Amortization, Non-Operating Income, Income Deductions and balance available for Amortization, Dividends and Surplus and amount appropriated for General Amortization for each succeeding calendar month, with comparison with the figures for the corresponding month of 1917; and the Board will retain jurisdiction of the emergency or war surcharge as herein approved for the purpose of modifying or abrogating same as and if the conditions change.

Dated July 30th, 1918.

APPENDIX A.

- (First) Receipts from the sale of current during the first five months of the year 1918 decreased from \$4,833.52 in 1917 to \$4,374.01 in 1918, or \$459.51. This may be attributed to:
- (a) General war economy;
 - (b) Fewer connected consumers on account of drafted men and on account of several government munition plants or camps in close proximity;
 - (c) The elimination of one hour from the peak load due to the daylight saving act of congress.
- (N. B.) Current sold 1917 31,561 kw.-hr.
 Current sold 1918 29,278 kw.-hr.
- Decrease 2,283 kw.-hr.
- (Second) Disbursements for wages (account No. 401) and salaries of clerks (account No. 482) have increased by \$211.44 and \$150.00 respectively on account of war prices for labor and proximity of government work; and taxes accrued have increased by \$134.94 on account of increased assessments, both local and federal. These three items alone increase the operating expenses of the first five months of 1918 over the period of 1917 by \$516.38.
- (Third) The above decreased revenue (\$459.51) plus the above increased wages and taxes (\$516.38) or \$975.89, represents the decrease in income for the five months of 1918, or equivalent to \$2,342.16 for year 1918, other things being equal.
- (Fourth) Commercial current sold in 1917 was 88,098 kw.-hr. yielding \$11,868.50 at an average rate of 13½ cents per kw.-hr. The new rate of 18 cents, 15.3 cents and 13.5 cents will yield an average of 16.2 cents per kw.-hr., or an increase of 2.7 cents per kw.-hr. Based on last year's production, this would have increased our net income by \$2,378.65. We actually lost \$1,810.00 on the sale of current. Had this new rate been in effect, we should have gained \$568.65, or nearly 3% on the outstanding capital stock.

Five Mile Beach Electric Railway Co.—Increased Rate of Fare.

- (Fifth) For 1918 we have estimated, at present rates, a decrease in income of \$2,342.16 compared to the period of 1917, in which year, we have shown a net loss of \$1,810.00. In other words, at present rates, our estimated loss for 1918 will be \$4,152.16 on the sale of current. If the year's output equals that of 1917 (first five months showing a decrease of 2,283 kw.-hr.), the new rates will reduce this loss by \$2,378.65, still leaving a net loss of \$1,773.51.
- (Sixth) The average rate which municipalities pay under street lighting contracts is 11.5 cents per kw.-hr. These contracts do not expire until 1920 (Beechwood 1922).
- (Seventh) The investment in merchandising and jobbing departments approximate \$5,000.00. In 1917 this department yielded \$4,472.86 net profits. These large profits were extraordinary in that practically all house wiring in Beechwood was done in that year, in addition to several other big and profitable jobs, which jobs will be specified on request. Work in this department this year is very unsatisfactory on account of the scarcity and price of labor, in addition to the fact that building in our territory is at a standstill.
- (Eighth) Should we discontinue jobbing and merchandising entirely it would in no way reduce the operating expenses or our utility business, inasmuch as we should still need a superintendent and clerk which are the only present overhead charges.

No. 595.

**IN THE MATTER OF THE APPLICATION OF THE FIVE MILE BEACH
ELECTRIC RAILWAY COMPANY FOR LEAVE TO FILE AN IN-
CREASED RATE OF FARE.**

A street railway requiring annually a gross revenue of \$53,590 to pay operating expenses and taxes and six per cent. on the reproduction cost new of its property, plus working capital, is allowed an emergency increase in rate, it appearing that the revenue for the year 1917 was \$47,211 and that the net revenue would be decreased in 1918 by higher costs of operation.

J. Fithian Tatem, for the petitioner.

The petitioner asks that it be permitted to file a schedule changing the rate of fare to be charged in its cars from five cents to six cents and that the same may be permitted to go into effect on and after June 15th, 1918.

Five Mile Beach Electric Railway Co.—Increased Rate of Fare.

When the matter was heard on June 3d, no appearances were noted for the municipalities affected by the proposed increased rate of fare. Counsel for the petitioner, in this connection, made the following statement: "I might state that the statement which is on file showed that notice was given to the governing bodies of all three municipalities through which the Five Mile Beach Electric Railway Company operates, of this application, and while they took no formal action the Mayors of each one of the municipalities told me personally that they had considered the matter and had decided not to oppose the application for the increased fare. Also a notice was published, of which I will present proof of publication, to the local people by circular in these three municipalities stating that this application would be heard today."

Questioned as to whether this was an emergency application or not, counsel for the petitioner replied: "This is not an emergency application; this is an application for leave to increase the fare from five cents to six cents."

The petitioner was incorporated in 1902 under the provisions of the "Traction Act," and obtained a franchise for the construction of a line of street railway in what was then the Boroughs of Wildwood, Holly Beach City and Anglesea, Cape May County; subsequently it obtained a franchise for the extension of its street railway in the Borough of Wildwood Crest. The Boroughs of Wildwood and Holly Beach City were consolidated in the City of Wildwood and the corporate name of the Borough of Anglesea was changed to North Wildwood, which latter borough became a city in 1917. At the present time the petitioner operates a street railway in Wildwood, North Wildwood and Wildwood Crest. The franchise originally granted by the Boroughs of Anglesea, Wildwood and Holly Beach City provided that the fare to be charged within the limits of said separate boroughs or of the adjoining borough should not exceed five cents.

The communities served by the petitioner are what is known as seaside resorts and more than 75% of the total amount of business of the petitioner is done within the three months from June 15th to September 15th. During the balance of the year the travel upon the railway is light. The annual passenger revenue for the year 1913 was \$53,095.15; same had declined in 1917

Five Mile Beach Electric Railway Co.—Increased Rate of Fare.

to \$46,049.55; that the net operating revenue in 1913 was \$23,321.99, and that in the year 1917 the net operating revenue had been reduced to \$15,761.07. The petitioner alleges it has reason to believe that its gross earnings for 1918 will be approximately the same as those of 1917, but that its operating expenses will be substantially increased; that during the year 1917 the rate of wages paid to motormen and conductors was 23 cents; that during 1918 this rate of wages will be increased to 27 cents and a substantial increase of wages of employes other than conductors and motormen is also necessary; that as near as can be estimated the total increase in wages, based upon the same amount of business as obtained for 1917, will be \$2,270; that the provision for appropriation to depreciation or amortization reserve should be increased by \$3,680 over that provided in the operating expenses of 1917; that the petitioner purchased power from the West Jersey Electric Company and that the charge for said power in 1913 was \$6,000, whereas in 1917 it was increased to \$8,000. Internal revenue taxes are estimated to increase about \$400.

The railway constitutes a continuous one-zone line 4.3 miles in length on which a single fare of five cents is now charged. The business is so distributed that it would be impossible to divide this line into fare zones without causing great confusion, misunderstanding and serious objection of the patrons of the company.

I. COST AND VALUE OF PROPERTY USED AND USEFUL.

The company presented an appraisal of its property by Augustus H. Riddell, a consulting engineer. He estimated the value of the property on the basis of cost to reproduce new as follows:

Labor and material, net	\$262,148.81
Average allowance for omissions, engineering, supervision, contractor's profit and interest during construction, taken at 18%	47,186.78
Fixed capital	\$309,335.59
Materials and supplies	2,500.00
Total	\$311,835.59

Five Mile Beach Electric Railway Co.—Increased Rate of Fare.

The Board's engineer has checked the appraisal and differs on the following items:

(a) Ties. The company took the cost of these at 75 cents, based on ties 8 feet long, whereas the ties used by the petitioner are 7 feet long; a deduction of one-eighth is therefore made for this.

(b) Poles. A deduction of about \$600 is made in the base price because all poles are not Class B poles and because one of the items is re-classified as "centre brackets."

(c) Other minor differences are made, small in amount.

(d) Overhead of 15% is applied to all the net amounts except paving, where it is believed overhead did not accrue.

(e) Spare parts are transferred to materials and supplies, without overhead.

The Board's revised figures, then, are as follows:

Labor and materials, net cost	\$256,651
15% on \$201,772.80 (omitting paving)	30,266
<hr/>	
Fixed capital, reproduction cost new	\$286,917
Working capital, spare parts	\$2,158*
Working capital, other items	2,500
<hr/>	
Total	4,658
<hr/>	
Total value new	\$291,575
Taken as	292,000

Book Costs. The balance sheet in the 1917 annual report filed by the petitioner with the Board gives the following information:

Fixed capital	\$340,146
Less accrued amortization of capital	704
<hr/>	
Net fixed capital	\$339,442
Average working capital for five years past	3,030
<hr/>	
Total	\$342,472

Against the latter, the balance sheet shows, among other obligations, stock, \$255,700; floating debt, \$82,300.

*Included by Riddell in fixed capital.

Five Mile Beach Electric Railway Co.—Increased Rate of Fare.

II. DEPRECIATION.

The record shows that the company has been appropriating not much more than current maintenance for depreciation, and had a reserve of but \$704 for this purpose on December 31st, 1917. The record in the case and reports of inspectors of the Board show that the road is in fair physical condition, with the exception of a few poles, which are to be replaced. The accrued depreciation is probably about 15%. The company has declared dividends from 8% to 8½% during 1911 to 1914 and from 5½% to 5% during 1915 to 1917.

III. OPERATING EXPENSES.

For 1917 the operating expenses were	\$27,374
Repairs and renewals charged to reserves	866
	<hr/>
Total actual operating expenses	\$28,240
Taxes	4,158
	<hr/>
Total deductions from revenue	\$32,398
Increases estimated by petitioner for 1918:	
Wages	\$2,270
Taxes	402
Power	1,000
	<hr/>
Total excluding amortization increase	3,672
	<hr/>
Estimated revenue deductions for 1918	\$36,070

IV. RECAPITULATION.

If we allow 6 per cent. for use of capital we have 6%	
on \$292,000	\$17,520
Operating expenses and taxes as estimated	36,070
	<hr/>
Total revenue (omitting depreciation appropriation) ...	\$53,590

The revenue received in 1917 was \$47,211; in 1916 was \$49,278, and in 1915, \$45,580, an average of \$47,356. This is \$6,234 less than indicated above as necessary to pay 6% on fair value of property as found. The company paid during 1917 for interest on floating debt and advances, \$4,217, and 5% dividend of \$12,785 on \$255,700 stock, a total of \$17,002.

Five Mile Beach Electric Railway Co.—Increased Rate of Fare.

The company asks a 6-cent fare permitting a ride in a single fare zone of 4.3 miles. This equals 1.4 cents a mile. It is usual, however, for an increased fare to effect a reduction in the riding when such increase is permitted. An increase of 20% in the base rate will probably decrease this riding so that the net increase will be but 10% to 12½%, instead of 20%. If this 12½% be applied to the three-year average revenue of \$47,356 shown above, it will be increased by \$5,920 to \$53,276, which is slightly less than the net revenue indicated by the statement shown above, but will not permit any increased appropriation to provide for replacements.

The higher operating expenses and taxes are incident to war conditions confronting the applicant utility as well as others. For this reason the Board will treat this and all similar applications as emergency applications.

The Board therefore finds and concludes:

1. That the company may charge a six-cent fare on and after the date of its receipt of this report, subject to the following conditions:

2. Acceptance by the company of the increases herein allowed will be taken as a stipulation that abrogation or modification of the war surcharge may be made as and if conditions as indicated by operating results warrant.

3. Beginning at the effective date of said schedule of rates, the company is to render reports monthly to the Board showing the Operating Revenues, Operating Deductions excluding General Amortization, Non-Operating Income, Income Deductions and balance available for Amortization, Dividends and Surplus and amount appropriated for General Amortization for each succeeding calendar month, with comparison with the figures for the corresponding month of 1917; and the Board will retain jurisdiction of the emergency or war surcharge as herein approved for the purpose of modifying or abrogating the same as and if the conditions change.

Dated July 30th, 1918.

Township of Union—Preferring Charges of Inadequate Service.

No. 596.

**IN RE PETITIONS OF THE TOWNSHIP OF UNION, PREFERRING
CHARGES OF INADEQUATE SERVICE AGAINST MORRIS COUNTY
TRACTION COMPANY.**

A petition asking the Board to re-establish a schedule maintained by a street railway, in pursuance of the terms of an ordinance granting its franchise, prior to a change therein permitted by the Board, is not allowed in the absence of sufficient evidence to warrant rescinding the Board's order.

J. K. English, for the Township of Union.

Elmer King, for Morris County Traction Company.

Two petitions were filed by the Township of Union against Morris County Traction Company on May 9th, 1918.

The first petition asked for the re-establishment of the schedule as maintained by the company in pursuance of the terms of the ordinance granting its franchise, prior to the change thereof permitted by the Board, by its order of January 26th, 1918.

The second petition asked that the company be required to furnish improved service and more frequent headway for the accommodation of its patrons, the charge being that the company did not maintain proper and adequate service. The complaints were heard together on June 19th, 1918.

Numerous witnesses were called and it was established that the company was not rendering the service it owes the communities it serves. Counsel for the company admitted the inadequacy of service, in some particulars, and stated that if this Board would point out what it found to be proper service to be rendered under the circumstances and conditions existing, the company would carry the same into effect.

The same counsel also suggested that the traffic inspector of this Board make an independent investigation of the whole matter. He further stated that if this was done the company would accept the recommendations for additions to the present number of cars in service.

Township of Union—Preferring Charges of Inadequate Service.

The Board accepted this invitation and had its chief inspector check the existing conditions and report his recommendations for methods of improvement.

In response to the recommendation of the Board's inspector, the Morris County Traction Company augmented its service during the morning and evening rush hours to afford relief. An extra car was put into operation on Monday, June 24th, 1918, leaving Elizabeth with the regular car at 5:57 P. M. On Tuesday, June 25th, 1918, an extra car was operated from Springfield Junction with the regular car at 6:30 A. M.

The inauguration of this extra service was experimental in character, but the subsequent observations and inspections lead us to believe that the increased service between Springfield Junction and Elizabeth during the rush hours has greatly alleviated the crowded condition.

Attached hereto is a tabulated statement showing the number of passengers carried on the regular and extra cars during the rush hour periods for about two weeks. The data obtained by the inspectors of the Board agree closely with this.

The car leaving Springfield Junction at 6:59 A. M. still continues to carry a heavy load and records have been taken to ascertain the passenger distribution. These records agree with records submitted at the hearing by the inspectors employed by the petitioner, and indicate that the heavy riding exists between Springfield Junction and the plant of the International Composition Company. After reaching this plant a greater portion of the riders alight from the cars, and the cars in many instances proceed to Elizabeth with but a seated load.

Since the running time between Springfield Junction and the plant named is approximately ten minutes, it is obvious that the crowded condition is of short duration.

The company has been operating a 300 type car, which has a seating capacity of 42. This type of car is poorly ventilated and the aisle space is limited, and when the car is crowded, a disagreeable condition is created. The operation of a larger type car would afford better ventilation, larger seating capacity, and more aisle space, and would relieve the situation considerably.

The traffic records submitted by the inspectors employed by

Township of Union—Preferring Charges of Inadequate Service.

the Township of Union, as well as the data gathered by the Board's inspectors, showing the number of passengers carried between Springfield Junction and Elizabeth during the non-commission hours, do not indicate that the riding on the cars is such as to show that the Morris County Traction Company is not now providing proper and adequate service. There was not sufficient evidence produced at the hearing to warrant rescinding the Board's order of January 26th, 1918, relative to the service between Springfield and Elizabeth during the non-rush periods.

Passengers are permitted to ride on the front platform of the cars and talk with the motormen. This practice should be stopped.

The Board therefore **RECOMMENDS**:

(1) That the present double-head operation during the rush hours be continued, that is, that two cars be operated leaving Springfield Junction at 6:29 A. M. and leaving Elizabeth at 5:57 P. M.

(2) That a larger type car be operated from Springfield Junction at 6:59 A. M.

(3) That passengers be not allowed to occupy the front platform of cars.

Dated July 30th, 1918.

The Morris County Traction Company.—Tabulation Number of Passengers Carried, Four Trains and Extra Leaving Springfield Junction and Elizabeth 5:59 A. M. to 7:29 A. M.

East Bound (leaving Springfield Junction)—

	504	508	Extra	512	514
	5:59 A. M.	6:29 A. M.	6:30 A. M.	6:59 A. M.	7:29 A. M.
June 25th.....	49	61	66	104	57
26th.....	39	56	72	99	47
27th.....	41	57	57	105	39
28th.....	39	72	49	101	47
29th.....	43	74	72	77	42
Sunday.					
July 1st.....	58	51	73	108	54
2d.....	45	47	69	97	44
3d.....	47	54	51	99	45
4th.....	..	..	..	..	..
5th.....	52	62	54	95	64
6th.....	44	47	76	88	47
Sunday.					
8th.....	57	44	78	94	44

William Winans vs. Monmouth County Water Co.

The Morris County Traction Company.—Tabulation Number of Passengers Carried, Four Trains and Extra Leaving Elizabeth and Springfield Junction 5:27 P. M. to 6:57 P. M.

West Bound (leaving Elizabeth)—

	551	553	Extra	555	557
	5:27 P. M.	5:57 P. M.	5:57 P. M.	6:27 P. M.	6:57 P. M.
June 25th.....	44	70	57	101	36
26th.....	66	43	79	77	56
27th.....	52	75	75	71	48
28th.....	75	57	62	63	28
29th.....	46	61	..	38	40
Sunday.					
July 1st.....	49	50	60	73	33
2d.....	55	48	68	70	36
3d.....	73	64	73	54	47
4th.....	..	..	..	..	..
5th.....	63	37	92	61	34
6th.....	79	70	..	48	53
Sunday.					
8th.....	44	44	75	78	35

No. 597.

WILLIAM WINANS

VS.

MONMOUTH COUNTY WATER COMPANY.

1. A rule of a water company requiring some notice and fixing a positive date on or before which stated time the customer shall give notice to the company if discontinuance of service is wanted is reasonable, but the date so fixed to be fair and reasonable must consider the local conditions of the community served.
2. At a summer resort, where properties are mostly rented in June, a rule compelling a house owner to pay an annual water rental or notify the water company to discontinue service he may require before he has knowledge of an actual tenant is unreasonable.
3. A rule should be adopted requiring notice of discontinuance from consumers to be made in writing to the company on or before July 1st of each year.

William Winans vs. Monmouth County Water Co.

Leon R. Taylor, for the complainant.

W. H. Roth, for the respondent.

Complaint was filed with the Board by William Winans, alleging the following rule of the Monmouth County Water Company, on file with this Board, to be unreasonable and contrary to public policy:

"All agreements covering water supply shall expire on the first day of July next succeeding the date of said contract or agreement, but all agreements shall continue in force from year to year after the expiration of that date, unless thirty days' notice, in writing, is given by either party of a desire to terminate the contract on next succeeding first day of July; provided, that nothing herein shall be construed to prevent the making of contracts for extension of service or other special conditions."

No testimony was taken at the hearing, there being no dispute over the facts submitted, which are as follows:

The complainant is the owner of a dwelling house in that portion of the City of Asbury Park which lies west of the tracks of the New York and Long Branch Railroad, known as "West Asbury Park."

This territory is a seasonal resort, and is furnished with water by the Monmouth County Water Company.

Mr. Winan's property was donated by him, and is occupied as a hospital. It was occupied on the first day of July, 1917, and became vacant some time between the sixth and fifteenth. After it became vacant and before August 1st, Mr. Winans went to the office of the water company to pay his bill, and ordered the company to discontinue the service. The bill rendered to him was for three months' minimum charge in advance, from July 1st to October 1st. He was willing to pay the bill rendered, but was told that such payment would not settle his water charges for the then current year and that he would be required to pay the minimum charge, in advance, at the beginning of each quarter for the balance of the year ending July 1st, 1918.

William Winans vs. Monmouth County Water Co.

A rule requiring some notice and fixing a positive date, on or before which stated time the customer shall give notice to the company if discontinuance of service is desired is reasonable. The date so fixed, to be fair and reasonable, must consider the varied local conditions of the community served, whether it be a summer or winter resort, or a locality requiring practically a uniform service throughout the year.

In Asbury Park and vicinity a large number of cottages are rented only during the summer season and remain vacant the remainder of the year. This class of property is mostly rented in the month of June; so a strict enforcement of the company's rule compels the house owner to pay an annual water rental or notify the water company to discontinue service he may require before he has knowledge of an actual tenant. This is an unfair advantage and the practice should be discontinued.

The Monmouth County Water Company admits, however, that actually in practice the company does not insist on the thirty days' notice, but accepts notice on July 1st, and even after July 1st.

That the company should have notice at least by July 1st seems to be reasonable. We do not, however, believe that notice to discontinue on July 1st is necessary to be given *thirty days before July 1st*. The practice of the company seemed to be that notice on or about July 1st was sufficient. The company admits that in practice they usually accept a notice about July 1st and even to the middle of July. The contention of the complainant, however, that he should be permitted to give notice of discontinuance, and be obliged to pay only for the ensuing quarter after notice, is not reasonable.

The water company, particularly in a seasonal resort, in fairness to the "all-year consumers" is entitled to adjust its revenues to stabilize business that should be ascertained in advance; otherwise, if the facilities were afforded to consumers for uncertain periods of less than a year, the revenues of the company would be uncertain and would consequently place upon "all-year consumers" an additional burden perhaps of higher rates. We, therefore, conclude that the rule in its present form is unreason-

Dorothy L. Valliano—Furnishing with Water.

able. . A rule should be adopted by the water company and filed with this Board requiring notice of discontinuance from the consumers to be made in writing to the company on or before July 1st of each year.

Dated July 30th, 1918.

No. 598.

**IN THE MATTER OF THE APPLICATION OF DOROTHY L. VALLIANO,
FOR AN ORDER DIRECTING THE POINT PLEASANT WATER
WORKS COMPANY TO FURNISH WATER.**

Where a substantial dispute exists between a utility and a customer and the utility to force a settlement discontinues or threatens to discontinue service, it is within the power of the Board to order the service maintained pending the legal determination of the dispute or controversy.

Horace L. Allen, for the petitioner.

L. C. Ritchie and *Joseph Mayer*, for Point Pleasant Water Works Company.

The petitioner, a resident of the Borough of Point Pleasant, alleges in her petition:

1. That on or about November 19th, 1914, the Point Pleasant Water Works Company installed a meter in her premises at Point Pleasant, New Jersey, for which she contracted with the said company, and agreed to pay the charges therefor, amounting to \$15, and that she agreed to pay for the water thus furnished at 35c. per thousand gallons in excess of 20,000 gallons, for which the company charged her a minimum charge of \$7.50.

2. That on November 20th, 1914, she paid to the company \$15 for furnishing and installing the said meter, and in addition thereto she paid the sum of \$7.50, being the minimum charge in advance.

Dorothy L. Valliano—Furnishing with Water.

3. That for the years 1915, 1916 and 1917 she has always been, and now is, willing and desirous of paying for the water consumed by her in accordance with the measurement made by the water meter in excess of 20,000 gallons, but that the company refuses to accept the same.

4. That the company failed to legally change its minimum rate of \$7.50 per 20,000 gallons of water payable in advance, during the years 1915, 1916 and 1917, and did not notify the petitioner of any change in the amount of the minimum charge or rate until March, 1918, when it notified her that the minimum rate as fixed by this Board would be \$26 per annum, and that said rate would apply for the years 1914, 1915, 1916 and 1917.

5. That the water company has shut off the water from petitioner, and refuses to furnish her with water until she pays an amount of money which is excessive, unjust, and more than she is legally obligated to pay for the water consumed by her or supplied to her during the period from the making of the contract in November, 1914, to and including the year 1917.

She therefore prays that an order may be made directing the Point Pleasant Water Works Company to furnish her with water upon the payment of, or legal tender to said company, by her, of an amount of money due from her.

Upon the filing of the petition, the Point Pleasant Water Works Company was notified by the Secretary of this Board that service should be resumed pending the determination thereof by this Board.

An answer filed by the company admits that it installed a meter in said premises and in the premises of others "mainly for the purpose of ascertaining the amount of water consumed in this character of building, as well as others of varying condition." It admitted that it accepted a payment from the petitioner of \$7.50, being the minimum charge in 1914, which was its minimum for house or apartment of one-family one-faucet minimum of 20,000 gallons, and that this was the only amount it could accept pending the fixing of a meter minimum.

That at the expiration of the year the company had set about 18 meters, which were paid for by each consumer; that on October 14th, 1915, it notified the petitioner by letter that by reason

Dorothy L. Valliano—Furnishing with Water.

of the fact that she was interpreting the water usage to be that of \$7.50 per year, that the company would discontinue the water in her premises, and re-purchase the same, allowing her \$15, and would bill her in accordance with the flat-rate schedule until such time as this Board approved of the proper minimum base. That this, in effect, cancelled the meter service, but that the petitioner refused to pay any other sum than the \$7.50 per year for water service.

Hearing was held on June 26th, 1918. From the testimony it appears that the petitioner applied to the company for a meter for her premises in the month of November, 1914. That they agreed to furnish and install a meter for the petitioner for the sum of \$15, for which the petitioner agreed to pay; that upon the installation of the meter she paid to the company the sum of \$22.50, being the cost of the meter, installing the same and the minimum rate of \$7.50 for 20,000 gallons of water, which payment was accepted by the company; that this arrangement was made by the company with the petitioner and others is admitted by the company. The company, however, insists that the arrangements were temporary, and were only made as experiments to ascertain what would be a fair charge for metered service, and it undertook to cancel the contracts it had made by writing letters to the consumers, offering to re-purchase the meters for the sum of \$12, being the cost of the meter and cost of installing the same, less depreciation as it figured. The petitioner declined to sell her meter to the company at the price it offered, and the company continued to serve water to her for the years 1915, 1916 and 1917.

On March 27th, 1918, the water company sent a bill to the petitioner as follows:

To water during Nov. 19, 1914, to Nov. 19, 1915.....	\$26.00
To water during Nov. 19, 1915, to Nov. 19, 1916.....	26.00
To water during Nov. 19, 1916, to Nov. 19, 1917.....	26.00
To water during Nov. 19, 1917, to Nov. 19, 1918.....	26.00
	<hr/>
	\$104.00
Nov. 23, 1914, credit by cash	7.50
	<hr/>
	\$96.50

Dorothy L. Valliano—Furnishing with Water.

Upon this bill was written the following:

“Upon payment of bill the company will purchase meter you have, allowing you \$12 for same, which can be deducted from bill.”

This bill the petitioner declines to pay.

The bill for service of water served through meters for the year following November 19th, 1917, does not appear to comply with the schedule filed with this Board and effective November 7th, 1917.

There is merit to support the petitioner's refusal to pay the bill of the water company. It is not our purpose to pass, however, on the legality of the claim of the water company, nor is it within our jurisdiction to settle and adjust claims between utilities and patrons. Where, however, a substantial dispute exists between a utility and a customer, and the utility, to force a settlement of a claim, discontinues, or threatens to discontinue service, it is within the power of this Board to order the service maintained pending the legal determination of the dispute or controversy. If the water company has a valid claim, it has its remedy at law by suit against the petitioner. We are of the opinion that a valid dispute as to the amount due from the petitioner to the company exists and, therefore, conclude that service should be continued pending the proper determination of the controversy by a court of competent jurisdiction.

An order will issue to such effect.

Dated July 30th, 1918.

ORDER.

This matter being at issue, upon complaint and answer on file, and the Board of Public Utility Commissioners having, on July thirtieth, one thousand nine hundred and eighteen, made and filed a report containing its findings of fact and conclusions thereon, which report, by reference thereto herein, is made part hereof, the Board

HEREBY ORDERS the Point Pleasant Water Works Company to continue to supply water to the house of Mrs. Dorothy L. Valliano, at Point Pleasant, New Jersey, pending the proper determination of the controversy by a court of competent jurisdiction.

This order will become immediately operative.

Dated August 6th, 1918.

Pennsylvania Railroad Co.—Permission to Change Location of Station.

No. 599.

IN THE MATTER OF THE APPLICATION OF PENNSYLVANIA RAILROAD COMPANY FOR PERMISSION TO CHANGE LOCATION OF RUNYON STATION.

R. V. M. Burke, for the petitioner.

Runyon Station is located 5.6 miles south of South Amboy, on the Amboy Division of the Pennsylvania Railroad. The station building is a small, rectangular, wooden, shelter shed, with a small compartment in the northerly end for the use of agent. This is used only on Saturdays for selling tickets from this point. Application is made by the Pennsylvania Railroad Company to re-locate this station about 2,833 feet north of the present location.

In the vicinity of the new location is a large ammunition plant and it is principally for the accommodation of the employes that the change is desired. Passing from the westerly to the easterly side of the right of way of the old location, it is necessary to cross eleven tracks. At the new location there are two tracks.

The ammunition plant extends for the full distance measured between the old and new station sites. The settlement around the old station site is practically open country, and from a general view of the situation, it would appear that the new site will be much more convenient for the large majority of the company's patrons.

Dealing with conditions as they now exist, we conclude that permission should be granted for a re-location of the station as requested, at least during the period of the war. Should the ammunition plant be abandoned after the war, the Board will, on proper application, further consider the permanent location of the station in question.

Dated July 30th, 1918.

Robert Turner and the City of Burlington vs. Burlington Sewerage Co.

No. 600.

ROBERT TURNER AND THE CITY OF BURLINGTON

VS.

BURLINGTON SEWERAGE COMPANY.

BOROUGH OF COLLINGSWOOD

VS.

COLLINGSWOOD SEWERAGE COMPANY.

1. A stipulation between a utility and a municipality as to the effective date of increased rates does not bind the customers of the utility.

2. Under utility regulation all customers or none must be bound by stipulations as to the effective date of rates; because, if otherwise, one of the fundamental principles of utility law and regulation would be ignored by an inequitable permission of discrimination in rates.

3. In the administration of the power of regulation the Board is confined within the limits of legislative enactments which cannot be exceeded by stipulations or otherwise.

4. A schedule of rates providing for increases filed with the Board and not suspended, which schedule was subsequently determined to be just and reasonable, became effective from the date of filing.

5. The Board has no power to grant restraining orders.

Ernest Watts and *V. C. Palmer*, for Robert Turner and City of Burlington.

F. D. Weaver, for Borough of Collingswood.

J. Fithian Tatem, for Burlington Sewerage Company and Collingswood Sewerage Company.

The City of Burlington filed, on May 21st, 1918, a petition, alleging that the Burlington Sewerage Company pursuant to determination of this Board dated April 16th, 1918, was seeking

Robert Turner and the City of Burlington vs. Burlington Sewerage Co.

to collect increased sewerage rates from August 1st, 1914, without authority so to do, and prayed that the company be restrained, by order of the Board, from collecting the advanced rates, pending an appeal of the cause in the Court of Errors and Appeals; or at least be restrained from collecting the increased rates except from the date of the last-mentioned report of the Board. The petition of Robert Turner, a real estate owner in the City of Burlington, filed May 21st, 1918, against the Burlington Sewerage Company was in similar form and prayed for similar relief. The Burlington Sewerage Company filed answers to both petitions, admitting its attempt to collect increased rates from August 1st, 1914, claiming that it had the right so to do. Further in the answer filed to the petition of the City of Burlington, the company alleges that it had filed a stipulation with the Board of Public Utility Commissioners, that it would refund such payments as it may receive in excess of the old rates should the Court of Errors and Appeals determine it was not entitled to charge said excess rates.

The Borough of Collingswood filed a petition on June 10th, 1918, against the Collingswood Sewerage Company similar to the petitions of the City of Burlington and Robert Turner, against the Burlington Sewerage Company. It alleged the company was attempting to collect increased sewerage rates from September 1st, 1914, without authority so to do, and prayed for a restraining order similar to that prayed for by the City of Burlington against the Burlington Sewerage Company. The answer filed by the Collingswood Sewerage Company was also similar in form to the answers filed to the petitions of the City of Burlington, and Robert Turner, against the Burlington Sewerage Company.

By agreement of counsel, the three matters were heard together.

Separate applications for increased rates were made to this Board by the Collingswood Sewerage Company and the Burlington Sewerage Company on June 20th, 1914, and June 27th, 1914, respectively. The proposed increases in rates were *denied*, as will appear by reports of this Board dated March 22d, 1916, and March 21st, 1917.

The cases were reviewed by certiorari, in the New Jersey Supreme Court, and by the deliverance of said court on February

Robert Turner and the City of Burlington vs. Burlington Sewerage Co.

7th, 1918, the power of this Board to increase rates, notwithstanding certain provisions of the municipal ordinances as to the maximum rates to be charged by said companies, was declared.

New petitions were filed by both companies on February 15th, 1918.

The Board, by its determination of April 15th, 1918, permitted the schedules of the Burlington Sewerage Company to go into effect.

In the matter of the Collingswood Sewerage Company, this Board, by its determination dated April 15th, 1918, allowed some increases of rates. The rates found by us to be just and reasonable were modifications of the rate schedule originally filed by the company and a new schedule was filed by the company in accordance therewith. The effective date of the increased rates was not inserted in either of said determinations of the Board.

The record in these matters indicates that during the hearings and arguments frequent colloquies took place between the parties present as to the stipulations governing the effective date of any increased rate that might be permitted by this Board.

Interpreting the stipulations or agreements most liberally for the utilities, leads to the conclusion that although it was understood by all parties present that whatever rates should be fixed or permitted should be effective from August 1st, 1914, for the Burlington Sewerage Company, and from September 1st, 1914, for the Collingswood Sewerage Company, all of the customers of each utility did not by themselves or through representatives, make any stipulation or agreement as to the effective date of any rates that might be permitted.

The question naturally arises what effect, if any, have the stipulations or agreements as to dates the increased rates should take effect? Two distinct queries as to the stipulations in question are:

1. Does a stipulation made between a utility and a municipality as to the effective date of increased rates, bind the customers of a utility?
2. Do stipulations made between utility and municipality and some of the customers of the utility bind all or any customers of the utility?

Robert Turner and the City of Burlington vs. Burlington Sewerage Co.

AS TO STIPULATIONS IN GENERAL.

Inasmuch as stipulations, meaning arrangements, agreements or settlements, frequently include a settlement of some matters in a different manner than the same would be determined by a court or administrative body, were there no stipulation, it follows that, all stipulations, to be binding, must be made by the parties in interest, or their lawful representative.

This applies to stipulations made before courts or administrative bodies, such as this Board, or outside thereof. No one can stipulate as to another's rights without lawful authority. Therefore, answering Query 1, the municipalities' consent to the stipulation does not bind the customers of the utilities as to effective date of rates.

The distinction between the relations of municipalities, utilities and utility customers was recognized by our Supreme Court, as will be noted in the following excerpt from the Collingswood Sewerage Company case:

“Regarding the ordinance solely as a contract, the individual citizens of Collingswood would have no right of action therein, because they are not parties to the agreement.”

The answer to Query 2 is, therefore, that the municipalities could not make any stipulations that bound the customers of the utilities as to the effective date of any increased rates that were subsequently allowed; although some of the customers apparently consented through their representatives to the stipulations in question (which might bind them in a court), these stipulations could not bind the customers who did not acquiesce in the stipulations. Under utility regulation all customers or none must be bound by the stipulations for the reason that, if otherwise, one of the fundamental principles of utility law and regulation would be ignored by an inequitable permission of discrimination as to rates.

The customers who made no stipulation might thereby be favored and other customers who were diligent and saw fit to be represented, penalized for their appearance at the hearing.

Robert Turner and the City of Burlington vs. Burlington Sewerage Co.

The methods of applying the Board's right of regulation, so far as the same is applicable to the date when rates became effective, are statutory. In the administration of the power of regulation we are confined within the limits of legislative enactments which cannot be exceeded by stipulations or otherwise. No court or administrative body can acquire power outside its jurisdiction. Jurisdiction cannot be conferred by stipulation.

Such stipulations, however, as are within the limits of the legislative enactments under which the Board exercises its powers and functions, are binding. Stipulations of such character effect the methods of investigation and largely relate to the admission or rejection of evidence.

The utilities contend that it was understood at all times that the rates, if allowed, would be effective from August 1st, 1914, and September 1st, 1914, respectively, and they are equitably entitled to the rates from said dates.

This may be appropriately answered by saying at the time of the passage of the franchise ordinance for the respective utilities, it was also stipulated by each of them that the rates would not exceed certain maximum charges therein inserted, and the municipalities claim for their inhabitants that they were equitably entitled to rates in accordance with that solemn stipulation.

The utilities contended, notwithstanding the provisions of the franchise ordinances, that under utility regulation defined and prescribed in the act entitled "An act concerning public utilities" (Chapter 195, laws 1911), this Board has authority to grant increased rates and consequently filed their petitions for increases. It was not until the recent judicial pronouncement in these cases that the law governing cases of this character was settled. The applications of the utilities made June 20th and June 27th, 1914, respectively, were denied as evidenced by reports of this Board dated March 22d, 1916, and March 21st, 1917.

Subsequently, an appeal was taken to the Supreme Court, which decided that the Board had the right to increase the rates, independent of the ordinance provisions. There was a delay of three and one-half years between the filing of the original petitions with the Board and the decision of the Supreme Court previously referred to.

Robert Turner and the City of Burlington vs. Burlington Sewerage Co.

The petitions under discussion were new petitions filed February 15th, 1918, subsequent to the Supreme Court's decision, and the effective date of any rates allowed thereunder must be governed by the statute applicable to these petitions, and not to the old applications that were denied. When the Board, by its order, refused to allow the increases requested in the original applications, the proceedings on these applications terminated and came to an end, including all stipulations made thereunder.

For the reasons given therein we cannot grant the relief which the utilities claim they are entitled to and we conclude that the effective date of the increased rates is not determined by any stipulations made at any of the hearings, but by the provisions of the statute, under which the Board acts.

Under paragraph (h), section 17, clause 2, of An Act concerning Public Utilities, utilities may increase existing rates by filing schedules, and said rates become effective at once unless the Board, during its hearing and determination, orders a suspension of the increases. This was not done.

The Board, by its decision of April 16th, 1918, established and determined that the increased rates of the Burlington Sewerage Company were just and reasonable. The company, having exercised its right to file a schedule of increased rates, the same became effective as of the date of filing, because the Board did not suspend the schedule and subsequently determined that the schedule of rates already filed was just and reasonable. Hence, we find and determine that the increased rates in the case of the Burlington Sewerage Company were and have continued in effect from the date of filing of its second petition, to wit, February 15th,

the proceedings in the case of the Collingswood Sewerage Company were similar to the Burlington Sewerage Company.

The Board, however, found the increased rates to be undue and unreasonable, and in its report mentioned the schedules, which, under the evidence in the proceedings, would be found reasonable. The utility subsequently adopted the decision of this Board, and filed new schedules.

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C. S. Jones vs. Cumberland County Gas Co.

We find and determine that the increased rates in the matter of the Collingswood Sewerage Company were and have continued in effect from the date of filing the amended schedules, to wit, April 24th, 1918.

This Board has no power to grant restraining orders, and the applications of petitioners in both cases for such relief is, of course, denied.

Dated August 6th, 1918.

No. 601.

C. S. JONES

vs.

CUMBERLAND COUNTY GAS COMPANY.

1. A public utility is not justified in refusing, because of war conditions, to extend its facilities when application for service was made in September, 1916.

2. A public utility is not justified in refusing to extend its facilities to supply service on an allegation that its rate for gas is less than cost. If the assertion is true, it is the company's duty to lay all the facts concerning its operations before the Board and the justness and reasonableness of its rates would then be properly considered.

3. Where the cost of supplying service, including six per cent. return on the investment, would be \$25.00 per year the extension would be reasonable and practicable upon a guaranty being given assuring a revenue of this amount annually for a period of five years.

C. S. Jones, in person.

Walter Wood and S. J. Franklin, for the company.

Hearing was held at Trenton, July 23d, 1918, on complaint of C. S. Jones vs. Cumberland County Gas Company, for its refusal to serve the complainant with gas at his premises, 201 Eighth Street, Millville, N. J.

C. S. Jones vs. Cumberland County Gas Co.

It appears that Mr. Jones built a house at this location and made application to the gas company for service when he broke ground for the dwelling in September, 1916. On one pretext or another, the company has refused to make the extension.

It now claims that owing to war conditions it should not be required to make any extensions. The company further objects to the making of the extension because it claims that its rate for gas sold in Millville is less than cost to it.

There is no merit in this objection. If the assertion be true, it is the duty of the company to lay all facts concerning the company's operations before this Commission, and the justness and reasonableness of its rates would then be properly considered.

The facts of the matter now before us briefly are: That to connect Mr. Jones' house will require the installing of a 1½-inch main for a distance of 155 feet on Eighth Street.

The following table shows the estimated annual revenue, the estimated cost of the extension, and the estimated cost of furnishing service to the complainant.

Estimated Annual Revenue.

16,700 cu. ft. gas at \$1.00 per M. cu. ft.....	\$16.70
Estimated cost of extension.....	\$91.50
Plant investment .....	.....
16,700 cu. ft. gas at \$2.50 per M. cu. ft.....	41.75
Total investment	\$133.25

Estimated Cost of Furnishing Service.

16,700 cu. ft.	\$12.81
1 customer at \$1.27	1.27
Depreciation, 1½% of investment	2.00
Taxes, 7% of investment	0.93
Interest, 6% of investment	7.99
Total cost	\$25.00

These valuations are based from information contained in the company's annual report for the year 1917.

Under the facts shown the Board would not be justified in ordering the extension without a guaranty of an annual return, of at least twenty-five dollars to the company.

Cape May Illuminating Co.—Increase in Rates.

We find and determine from the facts before us:

(1) That the desired extension to the premises of C. S. Jones, 201 Eighth Avenue, Millville, N. J., is reasonable and practicable, and if the complainant will file with the company a written guaranty assuring it of an annual return of \$25 for a period of five years, an order of this Board will issue requiring it to make the extension, should the company persist in its objection.

(2) That the financial condition of the Cumberland County Gas Company reasonably warrants the original expenditure required in the making and operating of the said extension.

Dated August 6th, 1918.

No. 602.

IN THE MATTER OF THE APPLICATION OF THE CAPE MAY ILLUMINATING COMPANY FOR INCREASE IN RATES FOR GAS.

Upon a petition by a gas company alleging that operating expenses are and have been for some time in excess of gross receipts and that "the increased price of coal and oil, producing a large and growing deficit, makes an increased rate imperative," the allegations being accompanied by specific statements of receipts and expenditures, a schedule of rates involving increases is permitted to become effective for a limited period with date fixed for submission of proofs and further action reserved.

The petition in this matter, filed on July 25th, 1918, makes the following allegations: That notice of the filing of the petition asking for increased rates has been given in the newspapers; that the present schedule of rates now in effect is as follows:

Rates—General Lighting and Fuel.

Gross—Up to	5,000 cu. ft. per mo.....	\$1.60 per M. cu. ft.
Next	5,000 cu. ft. per. mo.....	1.45 per M. cu. ft.
Next	10,000 cu. ft. per mo.....	1.30 per M. cu. ft.
Next	10,000 cu. ft. per mo.....	1.20 per M. cu. ft.
Next	20,000 cu. ft. per mo.....	1.15 per M. cu. ft.
All over	50,000 cu. ft. per mo.....	1.10 per M. cu. ft.

Cape May Illuminating Co.—Increase in Rates.

Discount of 10 cents per M. cu. ft. if paid within ten days from the end of the month in which gas is consumed.

Minimum charge—45 cents per meter per month.

Special rates (not classified).

No. 1 gas engine.....Gross.....\$1.20 per M. cu. ft.

No. 2 gas engine.....Gross..... 1.10 per M. cu. ft.

No. 3 gas engine.....Gross..... 1.10 per M. cu. ft.

Subject to discount of 10c. per M. cu. ft.

4 gas enginesNet.....\$0.00 per M. cu. ft.

5 incubators and brooders.....1st 50 M.... 1.15 per M. cu. ft.

2nd 50 M... 1.10 per M. cu. ft.

All over 100 M... 1.00 per M. cu. ft.

All prices on No. 5 are net.

that the proposed schedule, approval of which is sought, effective on and after August 15th, is as follows:

Rate.

First	10.000 cu. ft.....	\$1.90 Gross	\$1.80 Net
Next	10.000 cu. ft.....	1.65 Gross	1.55 Net
Next	10.000 cu. ft.....	1.40 Gross	1.30 Net
Next	20.000 cu. ft.....	1.35 Gross	1.25 Net
All over	50.000 cu. ft.....	1.30 Gross	1.20 Net

Discount.

Consumer will be billed at the gross rates, and the difference between the gross and net rates above specified will constitute a discount for prompt payment, if bills are paid on or before the tenth day of the month following that during which service was rendered.

Minimum charge.

Seventy-five cents, per meter per month.

This eliminates the rates for gas engine and incubator service, neither of which are in use at present time.

that the company's property has been "inventoried and appraised, as of June 1st, 1918, at \$162,254, with no allowance for contractor's profit or developmental expenses;" a copy of the inventory and appraisal being attached to and made a part of the peti-

Cape May Illuminating Co.—Increase in Rates.

tion; that the company has a funded debt of \$176,000 and capital stock of \$100,000 outstanding; that, for the five months ending May 31st, 1918, its operating revenues were \$10,543.32 and its operating expenses were \$12,929.65, and its accrued interest was \$4,824.73, which indicates an operating deficit (excluding interest) of \$2,486.33, or a net corporate deficit of \$7,311.06 for the five months. This is an average monthly loss of about \$500, excluding any interest accruing. It is alleged that the company's "operating expenses are now and have been for some time in excess of the gross receipts," and that "the increased price of coal and oil, producing a large and growing deficit, makes an increase in revenue imperative." It is assumed that these allegations will be proven at a hearing. They constitute a prima facie case indicating that immediate relief should be afforded to the applicant utility in order that it may continue to render service to its customers.

According to its 1917 annual report to the Board, it sold to metered customers 20,861 M. cu. ft. of gas during the year 1917 at an average rate of \$1.486. This is 1% less than the net base rate of \$1.50. The net base rate applied for is \$1.80, which is an increase of 30 cents per M. cu. ft. In the light of 1917 experience, cited above, this increase may effect an actual increase in the gas revenue of about 29.7 cents per M. cu. ft. This increase on 20,861 M. cu. ft. sold in 1917 would have produced an increased revenue of about \$6,200. This does not appear to be excessive or unreasonable in view of the allegations cited.

The Board therefore finds and concludes:

1. That it will permit the proposed schedule to become effective August 15th for a period of two months, subject to the conditions set forth in the following paragraphs:

2. That the matter will be heard in Trenton on Tuesday, October 8th, at which hearing the petitioner must submit proof of the allegations contained in its petition and herein assumed to be true.

3. That the Board will, after said hearing, take such further action with reference to the schedule of rates herein permitted to go into effect as provided in (1) as the proof submitted may warrant.

Commonwealth Water Co.—Approval of an Issue of Securities.

4. Acceptance by the company of the increases herein allowed will be taken as a stipulation that abrogation or modification of the war surcharge may be made as and if conditions as indicated by operating results warrant.

5. Beginning at the effective date of said schedule of rates, the company is to render reports monthly to the Board showing the Operating Revenues, Operating Deductions excluding General Amortization, Non-Operating Income, Income Deductions and balance available for Amortization, Dividends and Surplus, and amount appropriated for General Amortization for each succeeding calendar month, with comparison with the figures for the corresponding month of 1917; and the Board will retain jurisdiction of the emergency or war surcharge as here approved, for the purpose of modifying or abrogating same as and if the conditions change.

Dated August 6th, 1918.

No. 603.

IN THE MATTER OF THE APPLICATION OF THE COMMONWEALTH
WATER COMPANY FOR THE APPROVAL OF AN ISSUE OF
\$99,000 OF SECURITIES.

The petitioner asks the Board's approval of an issue of \$43,000 of its first mortgage 5% certificates of indebtedness and of \$11,000 par value of its capital stock, aggregating \$54,000, all to be issued at par. These securities are to reimburse the company's treasury for expenditures heretofore made on account of fixed capital up to December 31st, 1917, and also for expenditures made under two work orders aggregating substantially \$8,273. The petition sets forth in detail by years all the expenditures made on account of fixed capital and also withdrawals from fixed capital subsequent to December 31st, 1914, at which time the company was reorganized and securities were issued

Commonwealth Water Co.—Approval of an Issue of Securities.

based on an appraisal made by the Board's engineer as of December 31st, 1914. The total expenditures made for capital account during the years 1915, 1916 and 1917, less deductions for fixed capital as shown on page 11 of the annual reports of the water company, amount to a total of \$282,561.47; to this is added \$8,272.72 of expenditures shown on the aforementioned work orders. This indicates that the total net additions to fixed capital since December 31st, 1914, are \$290,834.19. This amount includes, however, an item of \$11,704.76, representing part of the payment for the Feltville Water Company property, which item was heretofore capitalized in 1915 under title of investments (uniform system of account No. 160). Deducting this item leaves a total increase in fixed capital account for the period indicated above of \$279,129.43.

Subsequent to the organization of this company in 1915, two certificates for the issue of securities were granted by the Board, one under date of July 11th, 1916, and the other under date of May 29th, 1917, the total amount covered by which was \$225,000. This leaves as fixed capital, which has not yet been capitalized, \$54,129.42.

In connection with the application for increased rates heretofore made by this company and still pending before this Board, the expenditures from January 1st, 1915, to September 30th, 1917, were checked in great detail by the Board's engineers and the result of this check is shown in Exhibit C-2 of the petitioner's rate case. Additional expenditures subsequent to September 30th, 1917, have now been checked by the Board's engineers and they appear to be reasonable, with the possible exception of certain charges for services in the Town of Irvington, where it appears probable that some error was made by the company's superintendent in reporting expenditures chargeable to this account. This error does not amount to more than \$200 or \$300 and these charges have now been checked by the company, and any adjustment required will be made during the current year.

In view of these facts it would appear that the approval of \$52,000 of this amount will provide sufficient margin for taking care of these or other similar errors, which, however, are not apt

Browns Mills Co.—Sale of Property—Issue of Stock and Bonds.

to amount to \$2,129.43. This amount may be considered in a subsequent application when the books shall have been adjusted.

With respect to future expenditures, the company asks the approval of a further issue of first mortgage 5% certificates of indebtedness to the amount of \$36,000 and of \$9,000 par value of its capital stock to cover expenditures made, or to be made, subsequent to January, 1918, for the installation of new services and materials and for the repurchase from consumers of meters formerly owned by the company. These expenditures are rendered necessary by the "Rules, Regulations and Recommendations for Water Utilities," adopted by the Board in 1917.

The Board therefore finds and concludes as follows:

1. With respect to expenditures heretofore made, the Board will approve the issue of \$42,000 of its first mortgage 5% certificates of indebtedness and of \$10,000 par value of its capital stock, both to be issued at par.

2. With respect to future expenditures of capital account, it will approve the issuance of \$36,000 of first mortgage 5% certificates of indebtedness and of \$9,000 capital stock, both to be issued at par and to be accounted for under Conference Order No. 7.

A certificate will so issue.

Dated August 6th, 1918.

No. 604.

1. **BROWNS MILLS COMPANY—SALE OF PROPERTY TO BROWNS MILLS ELECTRIC LIGHT AND POWER COMPANY.**

2. **BROWNS MILLS ELECTRIC LIGHT AND POWER COMPANY—ISSUE OF STOCK AND BONDS.**

Approval is given to the sale by a company, engaged in the real estate business and in improving and developing land owned by it, of franchises and property, used for electric lighting, to an electric light and power company, and permission is given the latter company to issue stock to pay for the property and to provide funds for extensions and improvements.

Browns Mills Co.—Sale of Property—Issue of Stock and Bonds.

J. H. Tompkins, for the petitioner.

The petition filed by the Browns Mills Company alleges that it was incorporated under the general incorporation act of New Jersey, and that its certificate of incorporation was filed with the Secretary of State June 13th, 1916; that it owns a tract of land of approximately 500 acres, situated in Browns Mills, New Jersey, and operates a hotel thereon known as the Pig'n Whistle Inn at said Browns Mills, and that said petitioner is engaged in the real estate business and in improving and developing said land owned by it; that the electric light business of the petitioner is only incidental to its real estate business, and it is the opinion of its officers and directors that the electric light business should be segregated and operated independently of the other business of the petitioner.

The summary of an inventory and appraisal set forth in the petition values its property at \$51,000. The inventory includes 210 acres of land under water, valued at \$50 an acre, and four dams, one of which is of very massive and costly type of construction, the total value of the land under water and the four dams being placed at \$39,400; and the land on which the generating station is located, the station building itself and the electrical equipment of the power station and distribution system being valued at \$11,600.

The first petitioner asks for authority from this Board to sell and convey to the Browns Mills Electric Light and Power Company, a New Jersey corporation, the electric light business and property referred to in the above-mentioned inventory and appraisal at a consideration of \$25,000 of the par value being the entire capital stock to be issued by the said Browns Mills Electric Light and Power Company (and being about one-half of the alleged value of the property to be conveyed) for the reason that by said stock ownership it will control said electric light business.

The Browns Mills Electric Light and Power Company, the second petitioner, asks the Board for authority—

. To issue its capital stock to the extent of 250 shares of the value of \$100 each;

Browns Mills Co.—Sale of Property—Issue of Stock and Bonds.

2. To make a mortgage or deed of trust to a trustee to secure a bond issue in a sum not to exceed \$50,000, and at the present time to issue bonds under said mortgage in a sum not to exceed \$25,000.

It further represents that it was incorporated under the general incorporation act of New Jersey and that its certificate of incorporation was filed with the Secretary of State November 16th, 1917; that it proposes to purchase from the Browns Mills Company its electric light business and certain of its real and personal property referred to above, and more particularly described in the record accompanying said petition; that it has agreed to pay the Browns Mills Company for the property hereinbefore described 250 shares of its capital stock of a par value of \$100 each; that the bonds to be issued under the proposed trust mortgage are to be of a denomination of \$100 each and that it asks authority to issue said \$25,000 par value of bonds, to be disposed of at not less than 90% of their par value, the proceeds of which are to be used for the purpose of constructing additions and extensions to the existing facilities.

Both companies subsequently joined in a petition asking leave to withdraw the value of the land under water and of the four acres from the property proposed to be conveyed to the Browns Mills Electric Light and Power Company, leaving a value of \$1,000 with respect to the generating plant and the distribution system at present owned by the first petitioner herein, proposed to be conveyed to the second petitioner herein; and in lieu thereof asked that the first petitioner be permitted to sell and the second petitioner to buy the water power rights to be more particularly described in the deed conveying said water rights.

The matter was heard on June 25th and July 16th. The company was not able to present its engineer, who made the appraisal hereinbefore referred to. It presented M. W. Hargrove, a resident and business man of Browns Mills, who is familiar with local conditions and with the property at present belonging to the first petitioner herein, and who testified that, in his opinion the water rights were well worth \$10,000 and gave facts upon which he based his valuation. The flow of water is estimated to be sufficient

Browns Mills Co.—Sale of Property—Issue of Stock and Bonds.

to develop 200 horsepower for 10 hours a day every day in the year. The proposed deed of conveyance is to vest in the second petitioner these water rights in perpetuity.

The Board's engineer has made a valuation of the property proposed to be conveyed and has estimated the cost of eight out of eleven of the extensions proposed to be made, which, in his opinion, were proper extensions to make at the present time. The total present value of the generating station and equipment, of the land upon which it is located, of the distribution system, together with working capital, and the estimated value of the eight extensions, as testified to by the Board's inspector at the hearing, is \$19,300. Adding to this \$19,300 the \$10,000 testified to as being the value of the water rights, upon which the Board took no further testimony, would make a total of \$29,300.

The Board therefore finds and concludes:

1. That it will approve the sale of the property, of the franchises and facilities of the Browns Mills Company at a value of \$10,000.

2. That it will approve the issue by the Browns Mills Electric Light and Power Company of \$10,000 par value of its capital stock to pay for the plant and property and existing facilities to be conveyed to it by the Browns Mills Company, including the water rights hereinabove referred to and to be more particularly described in the deed to be submitted for approval.

3. That it will approve the issue of \$17,000 par value of the bonds of the Browns Mills Electric Light and Power Company to be sold at a price not less than 90% in order to provide the treasury of the Browns Mills Electric Light and Power Company with funds with which to make necessary extensions and improvements and to provide a working capital for the uses of the said company. The expenditures made for capital purposes are to be accounted for in due form as required by Conference Order No. 7.

Dated August 6th, 1918.

REPORTS OF BOARD OF PUBLIC UTILITY COMMISSIONERS.

New Jersey Gas and Electric Co.—Increase in Rates.

No. 605.

IN THE MATTER OF THE APPLICATION OF THE NEW JERSEY GAS AND ELECTRIC COMPANY FOR INCREASE IN RATES.

1. In considering the return to be allowed a gas company, interest on bonds and loans must be provided for unless the company is to become insolvent.
2. An extra charge of ten cents per thousand cubic feet for gas if bills are not paid "on or before the 15th of the succeeding month" is held to be unreasonable.
3. A rate is allowed sufficient to provide for payment of operating expenses, taxes and interest on debt.

Robert Buchanan, Jr., for the petitioner.

Elmer King, for the Town of Dover.

The petition submitted alleges that the petitioner was organized under the Reorganization Statute, Section 70, A. G. of the Corporation Law of February 16th, 1916; that it succeeded to the property, rights and franchises of the Dover, Rockaway and Port Oram Gas Company by virtue of purchase of same under foreclosure; that this Board, in its report, dated May 2d, 1916, fixed the value of the property of the petitioner (for purposes of capitalization) at \$203,450, to which additions amounting to \$58,295.98 have been made, making a total value of \$261,745.98. That the present schedule of rates as ordered by this Board on September 18th, 1917, effective October 10th, 1917, is as follows:

\$1.25 for the first	3,000 cu. ft.
1.20 for the next	4,000 cu. ft.
1.15 for the next	8,000 cu. ft.
1.05 for the next	25,000 cu. ft.
0.95 for all in excess of	40,000 cu. ft.

10 cents per thousand discount on all bills paid before the 15th of the succeeding month.

\$1.25 per thousand cubic feet for all gas furnished through pre-payment meters.

A minimum charge of 50 cents per month;

New Jersey Gas and Electric Co.—Increase in Rates.

that the proposed schedule of rates, necessary to enable it to meet its interest charges, is as follows:

For the first 3,000 cu. ft.....	\$1.60 per thousand.
For the next 4,000 cu. ft.....	1.55 per thousand.
For the next 8,000 cu. ft.....	1.50 per thousand.
For the next 25,000 cu. ft.....	1.40 per thousand.
For the next 40,000 cu. ft.....	1.30 per thousand.
For all over 80,000 cu. ft.....	0.95 per thousand.

Provided the bills are paid on or before the 15th of the succeeding month; if not, a charge of 10c. per thousand for nonpayment will be added.

\$1.60 per thousand cubic feet for all gas furnished through pre-paid meters.

A minimum charge of 50 cents per month;

that the increase in rates is rendered necessary by reason of the extraordinary increases in cost of labor, coal, oil and other materials used in the manufacture of gas and maintenance of plant; that the petitioner has suffered deficits from the present and preceding schedule of rates charged by it during the past two years and five months; that the proposed schedule of rates applied to the past five months' operation, without consideration for the continued increase in cost of labor and the present cost of oil, would have produced a surplus over fixed charges of only \$159.01; that the effective date of the proposed schedule be made July 1st in view of the notice given to the local authorities on June 10th of the pendency of this application.

The matter was heard on July 15th. Mr. King stated that he did not oppose the granting of such relief as the Board might deem to be warranted, but called attention to the fact that the property was bought by the petitioner at a foreclosure sale for \$65,000 or \$75,000, and afterwards appraised by the engineers of the Board at, he thought, \$135,000, more or less. "The point involved with the local authorities was whether an increased rate should be borne entirely by the municipality or whether the corporation should also share some portion of that burden, and" (they would) "have you * * * take into consideration both the purchase price and the appraised price."

New Jersey Gas and Electric Co.—Increase in Rates.

Mr. King mentions the price paid at the foreclosure sale. It is also pertinent to state that the fixed capital and current assets of the predecessor company, which were bought by the petitioner at such sale, were claimed by the annual report of the predecessor company to be \$482,244.56. The Board did not consider either the price paid at the foreclosure sale or the statement of the predecessor company as proof of value, the true criterion to be used. It, therefore, instructed its engineer to appraise the property of the petitioner to guide it in its report allowing the issuance of securities. It permitted the company to issue \$166,500 of 6% bonds, together with stock to equal the appraised value. Only the bonds and floating debt will be considered herein.

In its proofs the petitioner submitted evidence to show the appraised value of its property, its operating results for the entire years of 1916 and 1917, for the first five months of 1916 and 1917, and its estimate of the deficit from operating under the present schedule of rates for the entire year 1918. The latter estimate shows a deficit from operation of about \$630 and, including interest, of \$11,152, a total deficit of \$11,782 (Exhibits P-1 or P-A) without a dollar for dividends. Instead of showing the actual amounts, it is more helpful to reduce the figures shown in Exhibit P-1 or P-A to dollars per thousand cubic feet of gas sold, and this is shown in Table I following:

TABLE I.

Comparative Statement of Earnings and Expenses in Dollars per 1,000 cu. ft. of Gas Sold.

Ref. Case Ex. P-A.		Year Ending.		5 Mos. Ending.		Year Ending.
P. U. C. Acc. No.	Items.	12-31-16	12-31-17	5-31-17	5-31-18	12-31-18 ^a
302	P. P. meter gas sales,	1.265	1.330	1.280	1.257	1.250
303	Reg. meter gas sales,	1.241	1.204	1.175	1.100	1.080
Total		1.261	1.266	1.225	1.174	1.162

^aLast eight months estimated.

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New Jersey Gas and Electric Co.—Increase in Rates.

Ref. Case Ex. P-A.		Year Ending.		5 Mos. Ending.	Year Ending.	
P. U. C. Acc. No.	Items.	12-31-16	12-31-17	5-31-17	5-31-18	12-31-18 ³
307	Gas mdse. and jobbing sales .....	.023	.011	.049	.007	.013
308	Other miscls. sales...	.010	.007	.021	.005	.....
	Total operating revenue	1.294	1.284	1.295	1.186	1.175
502	Miscellaneous rent ..	.014	.010	.011	.009	.007
505	Water pumping contract .....	.009 ¹	.024 ¹	.020 ¹	.042	.....
300-500	Total revenue ...	1.317	1.270	1.286	1.153	1.182
	Revenue Deductions.					
412-435	I. Production expense	0.305	0.683	0.694	0.750	0.788
441-453	II. Trans'm and distrib'n expense, ..	.049	0.052	0.067	0.104	0.088
470	IV. Commercial adn. expense .....	.040	0.039	0.052	0.039	0.035
475	V. New business expense .....	.010	0.002	.....	.....	.....
481-491	VI. General and miscls. expense ..	.151	0.136	0.203	0.146	0.123
	Subtotal	0.815	0.912	1.016	1.039	1.034
495	VI. Amortization expense .....	.182	0.126	0.145	0.131	0.117
	Operating expenses ..	0.997	1.038	1.161	1.170	1.151
496	Taxes	0.076	0.090	0.116	0.057	0.048
400	Revenue deductions..	1.073	1.128	1.277	1.227	1.199
	Revenue less deductions	0.244	0.142	0.009 ¹	0.074 ¹	0.017
511	Interest on bonds ² ...	0.302	0.376	0.483	0.323	0.275
512	Interest on loans....	.....	0.023	.....	0.034	0.032
	Deductions ...	0.302	0.399	0.483	0.357	0.307
	Net loss (after paying interest)	0.058	0.277	0.474	0.431	0.324

¹Loss. ²For eight months only. ³Last eight months estimated.

New Jersey Gas and Electric Co.—Increase in Rates.

No return on stock is included in the above table; the only item pertaining to return on the property used and useful in the service of the public is interest on bonds and loans. If this interest is not provided for, the company becomes insolvent and the community will eventually be deprived of the service now rendered, unless adequate relief is now afforded by fair rates. In Exhibit P-B, the petitioner shows that had the proposed schedule been in effect from January 1st, 1918, the company would have earned \$159 above its interest accrued during the first five months of the year. These results are based on gas oil costing 6.24 cents a gallon. Since the exhibit was prepared, the company's witness (Mr. Buchanan) testified (testimony, p. 4) that this oil was now costing the petitioner 8.5 cents in the open market, as he had not been able to secure a contract or better price; he stated, further (testimony, p. 10), that it did not include the increase in freight rates, effective in June.

If the petitioner is to continue to serve its customers, it is evident that it must be allowed sufficient increase in rates to allow it to pay its operating expenses, taxes and interest on debt. It is also evident that the proposed schedule will not, under existing conditions, produce a revenue in excess of these expenses, taxes and interest.

The Board finds and concludes:

1. The schedule of rates as proposed is hereby disapproved because that portion of the schedule providing for "a charge of 10c. per 1,000 feet for non-payment will be added" is unreasonable.

2. The petitioner may, however, file a new schedule of rates, effective from the date of filing in the same form as hereinbefore set forth *with the objectionable feature in the schedule as to penalty eliminated.*

3. Acceptance by the company of the increases herein allowed will be taken as a stipulation that abrogation or modification of the war surcharge may be made as and if conditions as indicated by operating results warrant.

4. Beginning at the effective date of said schedule of rates, the company is to render reports monthly to the Board showing the Operating Revenues, Operating Deductions excluding General

Public Service Railroad Co.—Increase in Rates.

Amortization, Non-Operating Income, Income Deductions and balance available for Amortization, Dividends and Surplus and amount appropriated for General Amortization for each succeeding calendar month, with comparison with the figures for the corresponding month of 1917; and the Board will retain jurisdiction of the emergency or war surcharge as here approved, for the purpose of modifying or abrogating same as and if the conditions change.

Dated August 6th, 1918.

No. 606.

IN THE MATTER OF THE APPLICATION OF THE PUBLIC SERVICE
RAILROAD COMPANY FOR AN INCREASE IN RATES.

An increase in fare is permitted for an interurban electric railway, the capitalization of which is less than the value of the physical property, where the estimated return from the rates as increased will be but 5.65 per cent. on the company's securities.

Thos. N. McCarter and *L. D. H. Gilmour*, for Public Service Railroad Company.

Freeman Woodbridge, for Borough of Roosevelt Industrial Association.

J. W. Grover, for Township Committee of South Brunswick Township, Middlesex County.

Jerome T. Congleton, for City of Newark.

Leo Goldberger, for Perth Amboy.

Edward Herrmann, for the Board of Public Utility Commissioners.

Public Service Railroad Co.—Increase in Rates.

The petitioner, incorporated under the General Railroad Act, and operating a fast electric line over its private right of way in the main, and partly over leased street railway lines, applied for new rates at the rate of two and one-half cents a mile, ten cents minimum fare, excepting from Chrome Junction to Chrome, where the fare shall be five cents each way—no reduction on round-trip tickets—said rates to apply to the districts in which it operates on its private right of way.

At the instance of this Board, notice of the application was posted in its cars, and also given to every municipality through which petitioner's cars pass, including those municipalities in which it operates over leased street railway lines. Hearings were held July 24th and 25th, 1918. There was no objection made to the proposed increased rates except from South Brunswick Township, which entered appearance and filed a petition of protest.

Manufacturers of the Borough of Roosevelt were represented at the hearings and requested increased car service, which was promised by the petitioner.

The company has already inaugurated extra car service.

The petitioner suggested that by reason of its operation under the railroad act, it was not obliged to comply with Conference Rule No. 15 of this Board, but nevertheless filed memorandum in accordance therewith.

The value set up in this case is based on a valuation made by M. E. Cooley, Dean of the Engineering Department of the University of Michigan, supported by his testimony and the testimony of his principal assistant, Professor Anderson.

Comparison of the more significant unit prices used in the Cooley valuation with those determined by the Board in the recent valuation of similar property indicates that the Cooley valuation of the labor and material involved in the construction of the property is reasonable. The over-head percentages added to the labor and material costs are, however, somewhat higher than those used by us. The over-head percentages properly applicable in any particular case, depend upon the conditions surrounding

Public Service Railroad Co.—Increase in Rates.

the construction of that property and it cannot be assumed that the over-head percentages developed by us for application in the other case are fairly applicable here. In the absence of the necessary data and time required for a determination of the percentages applicable in this case, we have, for purposes of comparison, applied the percentages developed by us in the case referred to, to the labor and material costs estimated by Dean Cooley.

By this method we arrive at an estimated cost new of the property as of December 31st, 1915, of \$2,408,885, as compared with Dean Cooley's estimate of \$2,716,984.

The additions to the property for December 31st, 1915, to December 31st, 1917, amounted to \$105,678, making the total cost new as of December 31st, 1917, \$2,514,563.

The property, as a whole, was estimated in the Cooley appraisal to be in approximately 95% condition. This is substantiated by the ratio of the estimated depreciated value of \$2,600,512, as compared with the estimated cost new of \$2,716,984. If we assume the property to be in the same percentage condition on December 31st, 1917, the value of the property at that time is \$2,390,000 (which is 95% of \$2,514,563).

It is to be noted that this is the value of the *physical property* only. The value of the property is in excess of the securities, which amount to \$2,326,650 (including \$60,000 for which approval is now being sought).

In this case substantially the whole development of the company has taken place since the public utility companies were placed under the supervision of the Board of Public Utility Commissioners.

The company has set up estimates of the operating revenues to be expected during 1918 under the existing system of charges, the additional net revenue to be expected if the proposed rates are put into effect, and the operating expenses to be expected during 1918 based on present conditions and on the results of operation during recent months. A summary of the company's estimates shows:

Public Service Railroad Co.—Increase in Rates.

Total operating revenue, present rates	\$281,209.53
Total operating revenue, deduction	200,111.48
Operating income	\$81,098.05
Non-operating income	500.00
Gross income, present rates	\$81,598.05
Net estimated increase from proposed rates	49,835.23
Gross income under proposed rates	\$131,433.28

Some of the specific items of the estimates are perhaps open to question, but the changes, if any, which might be made in these items are relatively small and would not materially affect the results. The estimated gross income from the proposed rates will give a return of 5.65% on the securities, which amount to \$2,326,650 (including \$60,000 of stock for the issue of which approval is now being sought). We are therefore convinced that the fare schedule proposed by the company will not produce an excessive return on a fair value of the property.

We conclude that the schedule of rates filed by the company may become effective.

1. The company shall promptly file with the Board for each quarter beginning with the quarter ending September 30th, 1918, a complete comparative income statement for 1917 and 1918 of its operations showing revenue and revenue deductions, classified in accordance with the uniform system of accounts for street or traction railway utilities (first issue) prescribed by this Board, together with mileage, traffic and miscellaneous statistics, as required on page 35 of the form of annual report now required to be filed by this Board.

2. The Board will retain jurisdiction of the matter for the purpose of modifying or abrogating same as and if the conditions change.

Dated August 6th, 1918.

Bound Brook Oil-less Bearing Co. vs. Watchung Water Co.

No. 607.

BOUND BROOK OIL-LESS BEARING COMPANY

VS.

WATCHUNG WATER COMPANY.

An extension of main by a water company will be ordered upon proof of a guarantee of the revenue found to be reasonably required to compensate the utility for the cost of making the extension and supplying service.

R. E. Watson, for the complainant.

H. R. Cook, for the respondent.

On May 18th, the following complaint was received in this matter, viz.:

"The Bound Brook Oil-less Bearing Company has one of its plants at Lincoln, Borough of Middlesex, Middlesex County, New Jersey, which plant has been and is being served with water furnished by the Watchung Water Company, a corporation of New Jersey.

"Incident with the management of our works it has been necessary for our company to build houses for our employes, which we built in the hopes of selling to them on their completion. These houses are all adjacent to the works and four of them are completed, one of which will be occupied on June 1st. We anticipated no difficulty in having water furnished to these houses, but up to this time we have not been furnished with water, and the attitude of the Watchung Water Company is such that we do not think that there is any immediate prospect of that company laying mains to furnish water, and we respectfully ask your Board to fix a date for a hearing on this matter so that the water company can give good reasons why they should not be compelled by your Board to fur-

Bound Brook Oil-less Bearing Co. vs. Watchung Water Co.

nish us with facilities for water in these houses, particularly as we are aware of no reason that would justify a refusal on the part of the company to furnish water.

"We might add that these houses are not built for real estate speculation, but as a business necessity to supply an urgent demand and to enable the company to secure and retain proper employees."

On May 24th the company answered as follows:

"In order to comply with the request of the Bound Brook Oil-less Bearing Company, it would be necessary to lay 1,200 feet of pipe at a cost of two thousand dollars. The annual revenue to be derived from the four houses, if occupied continuously, would amount to \$60. This return, in our judgment, would not justify our making the expenditure at this time. We are experiencing much difficulty in procuring pipe for demands that are made upon us by the municipalities for fire protection and urgent extensions which we are compelled to make. We can get no definite assurances as to deliveries of pipe and enclose copy of letter from the Warren Foundry and Machine Company for your information."

On June 4th the respondent made further answer, as follows:

"Referring to the application of Bound Brook Oil-less Bearing Company for water on Voorhees Avenue, Lincoln, N. J., we beg to call your attention to the fact that this street has never been accepted by the proper authorities as a public street, nor has the grade of the same ever been established. The street is not curbed or flagged, or any improvements made thereon."

The matter was heard on June 19th.

The extension of six-inch main required to serve the houses of the complainant is as follows: Beginning at the present end of the six-inch main on Lincoln Boulevard, running thence southwesterly to McKinley Avenue, thence northwesterly along McKinley Avenue to Voorhees Avenue, thence again southwesterly along Voorhees Avenue to serve the last house of the complainant, located on Lots 52 and 53 in Block 2 of the filed "Map of Lincoln, in Middlesex County, N. J.," submitted as Exhibit P-1.

Bound Brook Oil-less Bearing Co. *vs.* Watchung Water Co.

The complainant testified that the cost of the extension of 1,200 feet of Class B pipe and specials would be \$1,939, assuming labor to cost 42 cents a foot, and that he could furnish a responsible contractor who would do the work for that figure. The complainant's figures were incomplete in that they did not include the cost of the service connections, the cost of a two-way hydrant and connections, and no allowance for existing plant facilities to bring the water to the premises in question.

The company's witness, H. R. Cook, testified that the cost of the 1,200 feet extension, including the hydrant, would be \$2,343.89, and the total cost (including four services and plant cost for four customers) would be \$2,513.37. Cost of labor for laying pipe is included in this estimate at 55 cents a foot.

A careful consideration of the case indicates that the cost of the extension proper, including the hydrant, would be \$2,175. In this estimate cost of labor is taken at 42 cents a foot. Assuming 5% interest, 1% depreciation, and 1% taxes on \$2,175, gives an annual revenue of \$174 to be assured for this portion of the costs. The record indicates (testimony, p. 8) that the municipality will pay \$15 per annum for the hydrant included in the above, which leaves \$159 as the remaining annual revenue to be assured for the extension of the main proper.

SERVICE COSTS PER CONNECTED CUSTOMER.

The Board's estimate of the cost of service for each connected customer, on the basis of an annual consumption of 40,000 gallons of water, is as follows:

One service pipe and connections	\$12.34
Cost of existing plant facilities	30.00
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Total investment devoted to customer's use	\$42.34

The annual cost per customer is shown below:

6% interest and 1% taxes on \$42.34	\$2.96
4% depreciation on service costing \$12.34	0.49
1½% depreciation on plant capacity, \$30.00	0.45
Cost of accounting, inspections, billing and collection	1.50
Cost of furnishing 40,000 gallons	1.70
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Total individual customer costs per annum, each, \$7.10

Bound Brook Oil-less Bearing Co. vs. Watchung Water Co.

It was claimed by the complainant that four customers served through a service pipe on Voorhees Avenue (which pipe the company, in a statement, filed with the Board, claims cost \$96.29) should be credited to this extension. The complainant stated (testimony, p. 36), "Whatever the Commission deems is an adequate guarantee for this company we will make, but we think one of the controversial points is these four houses on Voorhees Avenue—the receipts from those four houses should be considered a part of the receipts from this main."

It now appears that there are but three houses served by this service pipe. These three customers pay an aggregate annual rental of \$34. Calculated in the same way as shown above, but taking the cost of the service of each connected customer at \$32 instead of \$12.34, it is apparent that the total surplus revenue from these three customers would be about \$7, *if the annual revenue of \$34 is guaranteed*. We do not think the inclusion of these three houses would compensate the complainant for guaranteeing the necessary revenue and therefore they will be omitted in the further consideration of this matter. If, however, the complainant desires these houses included and will assure the payment of an annual revenue of \$34 from them for at least five years, the cost of service to the three houses may be taken at \$27 and the surplus over and above that amount may be considered in the determination of assurance given with respect to the houses located or to be located on said extension of six-inch main.

The Board therefore finds and concludes:

1. That the extension of 1,200 feet is a reasonable extension of its existing facilities if the following conditions are complied with within 60 days from date hereof:

(a) That with respect to the extension of main herein described it is understood that the respondent is to receive a revenue from the municipal authorities of \$15 per annum for a fire hydrant to be located on this extension.

(b) That it shall receive in proper form from the complainant, or others, an assurance of an annual revenue of at least \$159 for the extension of the main.

Electric Light and Power Co. of Hightstown—Increased Rates.

(c) That in like manner it shall receive an assurance of a further annual revenue of \$7.10 for a period of at least five years for each customer that may be connected along the said extension.

(d) That when the total aggregate revenue from customers connected to this extension at the existing schedule of rates shall equal the assurance herein provided for, the assurance shall cease and determine.

2. That on proof that all of the conditions above outlined in (1) have been complied with the Board will, upon application by the complainant within 60 days from date hereof, order this extension to be made forthwith.

Dated August 20th, 1918.

No. 608.

**PETITION OF THE ELECTRIC LIGHT AND POWER COMPANY OF
HIGHTSTOWN IN RE INCREASED RATES.**

To the physical value of the plant and equipment of an electric utility found to be \$36,600, the sum of \$2,500 is added for intangible values and \$2,500 for working capital. To meet a deficit after providing for operating expenses and taxes, an annual depreciation of \$1,645 and six per cent. on capital an increase of one-half a cent per hour is allowed in charges to metered commercial light and power customers.

Norman Grey, by Geo. D. Connelly, for the petitioner.

A. V. Dawes, for the Borough of Hightstown.

The petition filed by the company alleges that it is a corporation of the State of New Jersey, incorporated in 1898; that it generated current in its own plant until November 28th, 1916; that about the year 1915 the persons now in charge of the company first became interested therein and subsequently entered

Electric Light and Power Co. of Hightstown—Increased Rates.

into a contract with Public Service Electric Company to supply electric current for ten years from July 1st, 1916, under the form of contract known as Uniform Wholesale Power Contract; that in order to secure the said contract with Public Service Electric Company and to put into effect and distribute service contracted for, the petitioner was obliged to construct and rebuild its entire distribution system at an expenditure of approximately \$20,000.

That by action of this Board taken and indicated in a report dated February 27th, 1918, and filed by this Board in the matter of the hearing of the petition of Public Service Electric Company for increase in electric power rates, the said Public Service Electric Company was permitted to make and add to its bills to power customers, a surcharge of 25% upon all bills beginning with February, 1918, and your petitioner has, as a result of said ruling, but under protest, paid said surcharge as follows:

For the month of February	\$97.47
For the month of March	98.18
For the month of April	95.40

without any corresponding increase in the charges made by this petitioner for service to its customers.

That on May 14th, 1918, a hearing was had before the Board on the question of whether or not the 25% surcharge allowed to Public Service Electric Company against power customers should apply to petitioner by reason of the making of the contract hereinbefore referred to, which matter has been determined, and that the Board has ruled that the petitioner must continue to pay said surcharge.

That in addition to the said increased cost, which the petitioner believes will approximate \$1,200 per annum, by reason of said surcharge, materials have increased in price over 50%, wages and other fixed charges have increased, and that it is necessary that petitioner receive more for electric current than it is receiving at present.

Electric Light and Power Co. of Hightstown—Increased Rates.

That the said increase, change or alteration in rates is made necessary by additional expenses in 1918 over the year 1917, estimated by the petitioner as follows:

Surcharge of 25% on bills for current	\$1,200
Additional wages and salaries	660
Additional insurance	50
Additional interest	200
Amortization debt discount and expense	177
Total	\$2,287

That the present schedule of rates and the proposed schedule of rates are as follows:

First.—Commercial Metered Lighting.

	Present Rate.	Proposed Rate.
For the first 20 Kw. used in one month.....	15c. per Kw.	17c. per Kw.
For the next 180 Kw. used in one month.....	12c. per Kw.	14c. per Kw.
For the next 300 Kw. used in one month.....	10c. per Kw.	12c. per Kw.
For the next 500 Kw. used in one month.....	8c. per Kw.	10c. per Kw.
For the next 500 Kw. used in one month.....	7c. per Kw.	9c. per Kw.
For the next 500 Kw. used in one month.....	6c. per Kw.	8c. per Kw.
For all over 2,000 Kw. used in one month.....	5c. per Kw.	7c. per Kw.

<i>Second.</i> —Minimum Bill	\$1.00	\$1.20
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Third.—Commercial Power Rate.

For the first 20 Kw. per H.P. of demand used in one month.....	10c. per Kw.
For the next 50 Kw. per H.P. of demand used in one month.....	6c. per Kw.
For the next 500 Kw. per H.P. of demand used in one month.....	4c. per Kw.
For all in excess of above	2c. per Kw.

Minimum Charge.—50 cents per H.P. of demand;
No bill less than \$1.00 per month.

A Surcharge of 25 per cent. to be added to all bills for power, including minimum bills.

Fourth.—The borough has been furnished with current for the pumping station and council chamber free, and meters have been installed in these buildings and the consumption amounted to 3,007 Kw. in 1917 (at the regular rates this would amount to \$356.52).

Electric Light and Power Co. of Hightstown—Increased Rates.

That the gain in gross business for the first five months of 1918 is only 6.4% over the same period in 1917; that the increase in cost of current in same period is 20%, and will be 25% from the time of the surcharge; that the daylight saving plan, which was recently adopted, will effect a considerable decrease in the company's 1918 business, as the bulk of the business is done in the evening and the saving of one hour will cut the revenue approximately 20%.

The petitioner therefore asks that the proposed schedule herein set forth may be put in force, if, and when approved by this Board, and that in addition thereto a sufficient increase be made in the petitioner's rates to provide for the payment of a dividend of not less than 6% on its capital stock, or \$975, and to create a sufficient fund to care for extraordinary expenses, not presently provided for, such as losses of nearly \$400 caused by storm in January, February, March and April, 1918.

The matter was heard on July 23d after due notice to the municipality, which was represented by counsel.

I. VALUE OF PLANT AND EQUIPMENT—PHYSICAL.

For the purpose of passing on an application for approval of a proposed issue of bonds to be used for refunding an outstanding issue, for providing funds for extensions and improvements and for working capital, the Board's engineer checked up, as of December 31st, 1916, an inventory and appraisal submitted by the petitioner. As above stated, in 1916 the property came under a new management which proposed to buy current instead of generating same, and at the time the appraisal was checked was extending or had extended its lines and required funds to reimburse its treasury for such expenditures and for refunding outstanding bonds.

The result of the check of the appraisal is shown on the first line of Table I, so far as physical values are concerned. The figures are brought down to June 30th, 1918, and value new, accrued depreciation as of December 31st, 1916, and present value as of June 30th, 1918, are also shown:

Electric Light and Power Co. of Hightstown—Increased Rates.

TABLE I.

Appraised Value of Property.

As of December 31, 1916, and Continued to May 31, 1918.

	(1)	(2)	(3)	(4)	(5)
	Cost New Plus 15% Overhead —12-31-16.	Accrued De- preciation— 12-31-16.	Present Value at—12-31-16.	Present Value at—8-30-18.	Annual De- preciation.
1. Physical property at Dec. 31, 1916	\$46,072	\$10,136	\$35,936	\$33,606	\$1,553
2. Added 1917	2,367	.....	.....	2,287	80
3. Added 1918	712	.....	.....	708	12
4. Total 6-30-18	\$49,151	.....	.....	\$36,601	\$1,645
Property Not in Use—					
Furnaces, boilers, etc....	\$4,300	\$2,150	\$2,150	\$1,970	\$120*
Steam engines	3,450	1,725	1,725	1,590	90*
Electric generators	2,690	525	2,165	2,033	88*
Switchboard	490	115	375	345	20*
5. Totals	\$10,930	\$4,515	\$6,415	\$5,938	\$318
6. Property in Use—					
(4) less (5)	\$38,221	.....	.....	\$30,663	\$1,327

1. Less 3% depreciation for one year.

2. Less 1% depreciation for three months.

The objectors, by cross-examination of Mr. Duncan, the petitioner's superintendent, developed the fact that the furnaces and boilers, steam engine, single phase electric generator and switchboard in the plant have not been used since the three-phase current has been supplied from the lines of the Public Service Electric Company and counsel asked that the value of this equipment be excluded from the property to be considered in the basis for rates. The value new of this equipment, as shown in the appraisal made by the Board's engineer, the accrued depreciation and present value of the property as of December 31st, 1916, and

*See testimony in case, p. 33. Single phase 3 phase service required.

Electric Light and Power Co. of Hightstown—Increased Rates.

the present value of same as of June 30th, 1918, are also shown in Table I, line 5. An examination of the annual reports of the petitioner from 1911 to 1917 inclusive, with certain necessary adjustments of revenue, indicate that the company has earned an average of about 7% on the present value of its physical property during said years and also enough to provide for the depreciation which has accrued in that time on the basis used by the Board's engineer in the appraisal referred to hereinbefore, but no more. At June 30th, 1918, there remains, then, \$5,938 of value of this disused equipment which, even though not now generating current, was bought and devoted to the service of the public, and the company is entitled to have this property written off out of rates paid. The annual depreciation appropriation on this disused property is estimated at \$318. Now that prices for second-hand equipment are at the highest point known for years, it would appear proper for the company to sell the equipment and use the money either to reduce its bonded indebtedness or for necessary extensions. The present switchboard is located in the old boiler house which has ample office and storage space not required by the switchboard. If favorable opportunity offers to dispose of the generator building with appurtenant land (subject to party wall agreement) it should be taken advantage of by the petitioner. To the extent of the price at which any of this property is sold, this will decrease the annual interest, depreciation appropriation, taxes and franchise taxes included as carrying charges for the property sold, and will relieve the rates correspondingly. Obsolete property should be sold as soon as practicable.

II. INTANGIBLE VALUES.

The records of the company show that \$6,650 was paid George McNutt in 1893 for the land and franchises of the company. The land cost \$650, leaving \$6,000 for franchise purchased. The 1917 annual report of the petitioner (p. 31, 1-f) states that no consideration was paid the municipality for this franchise. For rate purposes for this case it will be disallowed. For organization and development the Board considers \$2,500, intangible value, adequate allowance for the purpose of this case.

Electric Light and Power Co. of Hightstown—Increased Rates.

III. WORKING CAPITAL.

Based on statistics in the petitioner's annual reports, this is taken at \$2,500.

IV. SUMMARY OF CAPITAL AS A BASIS FOR RATES.

Recapitulating the items foregoing we have the following:

Present value of property at June 30, 1918—

Physical plant and equipment (see Table I., 1-3, col. 4), taken as	\$36.600
Intangible values (II.)	2,500
Working capital (III.)	2,500
Total	\$41.600

6% return on \$41,600 is \$2,496.

This will permit the payment of \$1,660 interest on \$33,200, 5% bonds, \$177.15, annual amortization of bond discount and about 4% on stock. In this proceeding the Board is only concerned with the fair value of the property and a fair return thereon in war times.

V. ANNUAL AND ACCRUED DEPRECIATION.

Subtracting the present value of the physical property at June 30th, 1918, from its value now, Table I, line 4, col. 4, from line 4, col. 1, indicates an accrued depreciation of \$12,550, of which \$2,414 has accrued in 1917 and half of 1918.

The annual appropriation, calculated on the same basis as used in the appraisal as of December 31st, 1916, indicates that, for 1918, this item should be \$1,645.

VI. OPERATING EXPENSES AS ESTIMATED FOR 1918.

The company's estimate of operating expenses for 1918, shown on the last page of its petition, is \$11,796. The Board disallows \$250 of salary increase and \$144 of office rent, leaving \$11,402 as the modified estimated expenses for 1918, exclusive of an appropriation for depreciation amounting to \$1,645, shown in Table I.

Electric Light and Power Co. of Hightstown—Increased Rates.

VII. TOTAL REVENUE REQUIRED TO EARN 6% ON CAPITAL.

This is arrived at by taking the sum of the constituent items as hereinbefore determined and they are here summarized:

(a) 6% on \$41,600 capital (IV.)	\$2,496
(b) Annual depreciation on capital (V.)	1,645
(c) Operating expenses and taxes (VI.)	11,402
	<hr/>
Total revenue	\$15,543
Revenue estimated by petitioner (subject to decrease from daylight saving order)	15,000
	<hr/>
Indicated deficit	\$543

Exhibit P-6 indicates that metered commercial light and power customers may be expected to use about 110,000 kilowatt hours of current during 1918. Dividing the deficit of \$543, shown above in VII, by 110,000, gives about half a cent per kilowatt hour increased rate required.

The Board finds and concludes:

1. That the petition should be, and is hereby dismissed.
2. That the petitioner may file a new schedule of rates for *metered commercial light and power customers* providing for a war surcharge of one-half a cent per kilowatt hour of current sold to be added to its existing schedule of rates for those classes of customers, subject to the following conditions:
 3. The rates may be effective for sales made on or after the date of filing of said schedule.
 4. Acceptance by the company of the increase herein allowed will be taken as a stipulation that abrogation or modification of the war surcharge may be made as and if conditions as indicated by operating results warrant.
 5. Beginning at the effective date of said schedule of rates, the company is to render reports monthly to the Board showing the Operating Revenue, Operating Deductions excluding General Amortization, Non-Operating Income, Income Deductions and balance available for Amortization, Dividends and Surplus, and amount appropriated for General Amortization for each succeeding calendar month, with comparison with the figures for the cor-

Atlantic Coast Electric Light Co.—Increased Rates—Rehearing.

responding month of 1917; and the Board will retain jurisdiction of the emergency or war surcharge as here approved, for the purpose of modifying or abrogating the same as and if the conditions change.

It is RECOMMENDED that the petitioner endeavor to sell that portion of its power station and equipment no longer used, to the end that it may decrease the cost of carrying property not used or useful, thus tending to decrease its cost for rendering the service to the community.

Dated August 20th, 1918.

No. 609.

APPLICATION OF THE ATLANTIC COAST ELECTRIC LIGHT COMPANY IN RE INCREASED RATES—REHEARING.

1. An electric lighting company applying for approval of increased rates submits an appraisal of its property aggregating for fixed tangible capital \$387,834 value new. To this it adds 5 per cent. or \$19,392 for organization expenses and \$25,000 for working capital. A deduction of \$40,806 is made for depreciation, leaving a present value of \$391,420.

2. An addition to present value to "write off" power station machinery to an amount of \$84,000 is denied; it appearing that from the years 1911 to 1917 inclusive the revenue was sufficient to afford a return of 7 per cent. on the appraised capital, provide for \$40,806 accrued depreciation or amortization and leave in excess thereof \$114,000.

3. A rate schedule is allowed which will provide a revenue sufficient to meet operating expenses, taxes and annual amortization and afford a return of six per cent. on present value.

Frank Durand, for the petitioner.

The petitioner in this matter alleges that it distributes and supplies electrical energy in twelve municipalities in the State, serves upward of 6,500 customers during the four months of the summer season and about 3,500 during the remainder of the year; that on November 1st, 1917, the cost of current, which it buys,

Atlantic Coast Electric Light Co.—Increased Rates—Rehearing.

was increased from 2½ cents per kilowatt hour to 3 cents, entailing an increase in the production expense to the petitioner during the year 1918 of about \$19,000; that the municipal and franchise taxes of the petitioner will increase in 1918 over 1917 approximately \$3,400; that on March 1st, 1918, the petitioner was compelled to increase wages of employes at the rate of about \$2,760 a year; that the gross increase in operating expenses and taxes of the petitioner will amount to \$33,072.53 in 1918, which will entail a deficit in the net operating "income" of \$3,021.31, and will result in the petitioner not being able to meet its fixed charges, amounting to approximately \$18,663.36; that the amount of revenue estimated for 1918 is based on the number of customers served and number of kilowatt hours sold during the year 1917; that the result of the first six months of the 1918 operation shows that the business will be slightly diminished; that, owing to orders of the National Fuel Administration, street lighting, store window lighting and house lighting have been very much diminished; that the daylight saving reduced the hours of consumption about one hour for each customer served during the period that the company does the greater part of its business.

The existing schedule of rates is as follows:

Commercial Metered Lighting.

		Gross.		Net Cost per Kw. if Paid Within 10 Days.
First	100 Kw.	10	5%	9½
Next	100 Kw.	9½	5%	9.04
Next	100 Kw.	9	5%	8.55
Next	100 Kw.	9½	5%	8.08
Next	200 Kw.	8	5%	7.6
Next	400 Kw.	7½	5%	7.12
Next	1,000 Kw.	7	5½	6.65
Over	2,000 Kw.	6½	5%	6.18

Minimum charge \$1.00 per month for yearly consumers; \$2.00 per month for season consumers.

Alternating Current—Commercial Metered Power.

All installations will be subject to a charge for maximum demand amounting to 50 cents per H. P. The maximum demand as estimated for the base of this monthly charge will be subject to certain reductions as set forth in the following paragraph:

Atlantic Coast Electric Light Co.—Increased Rates—Rehearing.

Installations Consisting of One Motor Only :

Under 5 H. P.	100 per cent. of connected load.
5 H. P. and over, and under 20 H. P.	80 per cent. of connected load.
20 H. P. and over	70 per cent. of connected load.

Installations Consisting of Two or More Motors :

Aggregating under 3 H. P.	100 per cent. of connected load.
Aggregating 3 H. P. to 10 H. P. inclusive ...	70 per cent. of connected load.
Aggregating over 10 H. P. to 50 H. P. inc...	60 per cent. of connected load.
Aggregating over 50 H. P.	50 per cent. of connected load.

In addition thereto the monthly charge for energy consumed will be :

		Gross.	Net Cost per Kw. if Paid Within 10 Days.
First	100 Kw.	5	4.75
Next	200 Kw.	4½	4.04
Next	200 Kw.	4	3.80
Next	200 Kw.	3½	3.32
Next	300 Kw.	3	2.85
Next	500 Kw.	2½	2.13
Next	500 Kw.	2	1.90
Next	1,000 Kw.	1½	1.42
Over	3,000 Kw.	1	0.95

Sign Lighting.

Eight cents per Kw. hour ; contingent upon certain guaranteed consumption.

The proposed schedule of rates is as follows :

Commercial Metered Lighting.

First	100 Kw. at	11c.
Next	100 Kw. at	10½c.
Next	100 Kw. at	10c.
Next	100 Kw. at	9½c.
Next	200 Kw. at	9c.
Next	400 Kw. at	8½c.
Next	1,000 Kw. at	8c.
Over	2,000 Kw. at	7½c.

Minimum Bill—Yearly customer, \$1.00 per month.

Minimum Bill—Summer customer, \$2.00 per month.

(July, August, September.)

Atlantic Coast Electric Light Co.—Increased Rates—Rehearing.

Sign Lighting.

Eight cents per Kw. hour; contingent upon certain guaranteed consumption.

Commercial Metered Power.

First	500 Kw. at	.....	.06
Next	500 Kw. at	.....	.05½
Next	1,000 Kw. at	.....	.05
Next	1,500 Kw. at	.....	.04½
Next	2,000 Kw. at	.....	.04
Next	2,500 Kw. at	.....	.03½
Over	3,000 Kw. at	.....	.03

Maximum demand as per present rates.

Alternating Current.

Installations Consisting of One Motor Only:

Under 5 H. P.	.....	100 per cent. of connected load.
5 H. P. and over, and under 20 H. P.	.....	80 per cent. of connected load.
20 H. P. and over	.....	70 per cent. of connected load.

Installations Consisting of Two or More Motors:

Aggregating under 3 H. P.	.....	100 per cent. of connected load.
Aggregating 3 H. P. to 10 H. P. inclusive	...	70 per cent. of connected load.
Aggregating over 10 H. P. to 50 H. P. inc.	...	60 per cent. of connected load.
Aggregating over 50 H. P.	.....	50 per cent. of connected load.

The municipal authorities in the twelve municipalities served by this company were duly notified of the place and time of rehearing by the Secretary of the Board.

The petition originally submitted in this matter was withdrawn by the company and the new one submitted instead.

The matter was heard on July 24th, 1918.

I. VALUE OF THE PROPERTY DEVOTED TO THE SERVICE OF THE PUBLIC.

The petitioner submitted an appraisal of its property which is used and useful aggregating for fixed tangible capital \$387,834 value new, to which it added for organization expenses 5%, or \$19,392, and for working capital, \$25,000, making a total of \$432,226. From this it deducted for depreciation \$40,806, leaving a present value of \$391,420.

Atlantic Coast Electric Light Co.—Increased Rates—Rehearing.

The proposed schedule for metered commercial lighting customers is estimated to produce \$178,788. The above analysis shows that this is approximately \$16,225 too much. Deducting this \$16,225 from \$178,788 leaves \$162,563. The existing schedule of rates for this class of customers produced a revenue for 1917 of \$163,765 gross, exclusive of discounts. It is apparent, then, that the existing schedule of rates for commercial metered lighting, eliminating discounts, will provide for the amount of revenue required for that class of customers.

The Board therefore finds and concludes:

1. That the petition submitted will be dismissed.
2. That the company may file a new schedule of emergency rates effective from the date of filing as follows:

(a) *Commercial Metered Lighting.*

First	100 Kw.	10	Kw. Hr. net.
Next	100 Kw.	9½	Kw. Hr. net.
Next	100 Kw.	9	Kw. Hr. net.
Next	100 Kw.	8½	Kw. Hr. net.
Next	200 Kw.	8	Kw. Hr. net.
Next	400 Kw.	7½	Kw. Hr. net.
Next	1,000 Kw.	7	Kw. Hr. net.
Over	2,000 Kw.	6½	Kw. Hr. net.
Minimum charge \$1.00 per month for each connected customer.			

(b) *Alternating Current—Commercial Metered Power.*

All installations will be subject to a charge for maximum demand amounting to 50 cents per H. P. The maximum demand as estimated for the base of this monthly charge will be subject to certain reductions as set forth in the following paragraphs:

Installations Consisting of One Motor Only:

Under 5 H. P.	100 per cent. of connected load.
5 H. P. and over, and under 20 H. P.	80 per cent. of connected load.
20 H. P. and over	70 per cent. of connected load.

Installations Consisting of Two or More Motors:

Aggregating under 3 H. P.	100 per cent. of connected load.
Aggregating 3 H. P. to 10 H. P. inclusive...	70 per cent. of connected load.
Aggregating over 10 H. P. to 50 H. P. inc...	60 per cent. of connected load.
Aggregating over 50 H. P.	50 per cent. of connected load.

Jersey Central Traction Co.—Increase in Rates.

(c) *In Addition Thereto the Monthly Charge for Energy Consumed will be:*

First 500 Kw. at .....	.06
Next 500 Kw. at .....	.05½
Next 1,000 Kw. at .....	.05
Next 1,500 Kw. at .....	.04½
Next 2,000 Kw. at .....	.04
Next 2,500 Kw. at .....	.03½
Over 8,000 Kw. at .....	.03

(d) *Sign Lighting.*

Eight cents per Kw. hour; contingent upon certain guaranteed consumption.

3. Acceptance by the company of the increases herein allowed will be taken as a stipulation that modification of the adjusted schedule of emergency rates may be made as and if conditions as indicated by operating results warrant.

4. Beginning at the effective date of said schedule of rates, the company is to render reports monthly to the Board showing the Operating Revenue, Operating Deductions excluding General Amortization, Non-Operating Income, Income Deductions and balance available for Amortization, Dividends and Surplus, and amount appropriated for General Amortization for each succeeding calendar month, with comparison with the figures for the corresponding month of 1917; and the Board will retain jurisdiction of the schedule of emergency rates as here approved for the purpose of modifying them as and if the conditions change.

Dated August 20th, 1918.

No. 610.

IN THE MATTER OF THE APPLICATION OF THE JERSEY CENTRAL
TRACTION COMPANY FOR INCREASE IN RATES.

1. An electric railway failing to obtain with a five-cent fare sufficient revenue to pay operating expenses is allowed to charge six cents.
2. In estimating the increase which will result from the additional charge it is assumed that there will be some decrease in the number of passengers, because of an increased fare, and an allowance is made for this.

Jersey Central Traction Co.—Increase in Rates.

C. L. S. Tingley, for the petitioner.

Charles R. Snyder and *John L. Sweeney*, for Atlantic Highlands.

A. S. Van Buskirk and *O. C. Bogardus*, for Keyport.

H. G. Henderson, for Matawan.

Howard W. Roberts, *William E. Foster* and *Clinton B. Lohson*, for Township of Middletown.

Leo Goldberger, for Perth Amboy.

Thomas H. Haggerty, for Township of Sayreville.

The petition filed alleges:

That the petitioner is a company of the State of New Jersey; that in the year 1917 the cost of maintaining and operating its railway system increased more than 50% over the year 1916 and will still further increase in 1918; that in the year 1917, on account of increased cost of labor and material the cost of maintaining and renewing the ways and structures increased 45% over 1916, and due to the same causes the maintenance and renewals of equipment increased 21.41%.

That the petitioner, having a long-time contract with the Monmouth Lighting Company for power, paid at a fixed rate per kilowatt hour for its power during the last six months of 1917; that this contract, however, provides for an adjustment of the rate at yearly periods when the same may be necessary, due to increased cost of production; that pursuant to this clause the petitioner has been, since January 1st, 1918, charged with the coal clause surcharge of the Monmouth Lighting Company's wholesale power rate as filed with this Board; that thereby the cost of power has increased approximately 50%.

That for the year ended December 31st, 1917, the petitioner had a net income of \$26,369.41; that the Board has heretofore

Jersey Central Traction Co.—Increase in Rates.

recommended to the petitioner that certain repairs are necessary to be made to the property during 1917; that a portion of these repairs the petitioner was unable to make on account of inability to procure labor at the wages which it could afford to pay; that had this work been performed a further charge of \$25,000 would have been made in the operating account, leaving the net income approximately \$1,300, which would have precluded the petitioner making any payment upon its preferred stock.

The petitioner estimates that for the six months ended June 30th, 1918, it will have operating revenues of \$118,000; operating expenses of \$115,000; taxes, \$4,600, leaving a deficit after operating expenses and taxes and before making any provision for interest on its funded debt.

From the above it is apparent that with no allowance for any further increase in operating expenses due to increased cost of labor and material, the petitioner will not earn its bond interest during 1918.

It is estimated that the tariff submitted with the petition will produce \$92,000 additional income; that interest and amortization charges will amount to \$43,000; that the dividend on preferred stock will amount to \$36,000, or a total of \$79,000, leaving a surplus of \$13,000 for contingencies and return upon the common stock investment.

The tariff submitted with the petition provides for a charge of seven cents in the rate of fare where five cents is now charged and a charge of two cents for each transfer.

After due notice to the municipalities affected by the application, the matter was heard and taken into conference. The petitioner stated that this was an emergency application.

I. VALUE OF PROPERTY USED AND USEFUL.

In lieu of submitting a valuation for the guidance of the Board, the petitioner referred to the proceedings taken by this Board and shown in its report dated May 21st, 1917, wherein a capital basis of value *for the purpose of reorganization* as of June 1st,

Jersey Central Traction Co.—Increase in Rates.

1917, was taken at \$1,851,422, since which time there have been net additions to capital of \$26,656, making a total value new of fixed capital on December 31st, 1917, of \$1,878,078. This valuation was made as above stated for the purpose of issuing securities in a reorganization separating railway properties from light and power properties, and is not necessarily a proper basis for rates. There is not before the Board a statement of the accrued depreciation which has taken place in this tentative value of \$1,878,078. If we assume the moderate amount of 20%, the present value of fixed capital of this company will approximate \$1,500,000. At or about the time of the reorganization herein referred to, this company passed from the hands of its former owners into the control of the American Railways Company, which company, presumably, took notice of the physical condition and the accrued depreciation of the property at the time the securities were issued.

The Board's engineer having made no inventory and appraisal for the guidance of the Board, the facts as set forth hereinabove will be used by the Board only for such help as they may afford the Board in coming to a conclusion in this matter.

II. REVENUE WHICH WILL BE PRODUCED IF A SIX-CENT FARE BE
CHARGED WHERE A FIVE-CENT FARE IS NOW CHARGED,
WITH NO CHARGE FOR TRANSFERS.

In making an estimate to determine what the probable revenue of the company would be in the event that the Board allows a six-cent fare, two elements are to be taken into consideration. First, what would be the normal increase in the company's business if the present rate of fare were to continue. Second, what would be the effect if a six-cent fare were approved by this Board where a five-cent fare is now charged.

With respect to the first consideration, we will follow the method adopted by the petitioner in preparing its Exhibit P-6 and will add 12% of the *passenger revenue* to the 1917 operating revenues, which would indicate the normal revenue for 1918 on the basis of the five-cent fare.

Jersey Central Traction Co.—Increase in Rates.

If a six-cent fare were charged where a five-cent fare is now charged, and the number of riders was not decreased by reason of the increased fare, this would result in an increase of substantially 20% on the passenger revenue. There will be some decrease in riding by reason of the higher fare, but not so much in the opinion of the Board as would result were this system operating in a single city. The Board for that reason adopts an estimate that the six-cent fare would increase the revenue 15%. On this basis Table I has been prepared and shows that the railway operating revenues on the basis of a six-cent fare for 1918 would be \$324,906. Table I follows.

TABLE I.

*Operating Revenue Estimated to be Produced by a Six-Cent Rate of Fare
Where Five Cents is Now Charged. No Charge for Transfers.*

The operating revenue for 1917 was	\$254,045
For 1918 revenue on 5-cent fare add 12 per cent. of \$237,366 passenger revenue for 1917 or (see 1)	28,483
Indicated revenue for 1918 (on 5-cent fare)	\$282,528
Add 15 per cent. increase estimated to be produced by a six-cent fare instead of a five-cent fare	42,378
1918 railway operating revenues on basis of six-cent fares	\$324,906

III. ESTIMATED OPERATING EXPENSES AND TAXES FOR 1918.

Operating expenses are estimated in the same manner as indicated by petitioner's Exhibit P-8 with the exception of the items of power and deferred maintenance. Instead of estimating that the cost of power will be 1½ cents per kilowatt hour, this is built up in accordance, first, with the contract existing with respect to normal operation, and, second, with respect to the actual reports made to this Board as to the cost of coal during the first

(1) Note.—In P-6, the petitioner estimates the revenues for the first half of 1918 by adding 12 per cent. of the passenger revenue to total operating revenue for first six months of 1917. Referring to this, Mr. Tingley (testimony, p. 8) said: "I have taken the normal growth of the property of about 12 per cent., taken the number of passengers carried and added that to the income for six months."

Jersey Central Traction Co.—Increase in Rates.

six months of 1918, the number of kilowatt hours involved in the movement of cars in 1918 being taken at 3,600,000, as indicated by the petitioner. With respect to deferred maintenance the amount of substantially \$30,000 includes an item of about \$2,700 for the installation of pilots or life guards on cars. This is a capital charge and has no place in operating expenses. The remaining amount of deferred maintenance has probably accrued during a period of about five years and the amount accruing during one year would be substantially 20% of \$27,500, or \$5,500; this is the amount which is to be carried into the operating expenses to show the normal operating expenses under present conditions. Table II will show the details of the estimate by which the Board arrives at the amount of \$226,846 as the fair operating revenue deductions for the year 1918. Table II follows:

TABLE II.

Operating Expenses for 1918—Estimated.

Railway operating expenses, 1917	\$156,252
Less power as charged	12,947
	<hr/>
	\$143,305
Add ten per cent. for labor and materials	14,330
	<hr/>
Adjusted	\$157,635
Power.—Demand charge	\$6,000
3,600,000 x 0.8c. per Kw. Hr. by Ex. P-4	28,800
3,600,000 x .0042 is (1)	15,120
	<hr/>
Total estimated cost for power	49,920
	<hr/>
Total adjusted operating expenses	\$207,555
Taxes taken at company's figure	13,791
	<hr/>
Total expenses and taxes	\$221,346
Add for deferred maintenance \$27,500 divided by 5 years	5,500
	<hr/>
Total annual revenue deductions	\$226,846

(1) Note.—January to June inclusive 14,175 tons coal cost \$63,228.32,
or per ton cost \$4.46
Coal clause base price 2.35

Excess over base \$2.11
\$2.10 x .002 = \$0.0042 per Kw. Hr.

Jersey Central Traction Co.—Increase in Rates.

IV. RAILWAY OPERATING INCOME ON THE BASIS OF SIX-CENT FARE WHERE FIVE-CENT FARE IS NOW CHARGED, WITH NO CHARGE FOR TRANSFERS.

Bringing together the railway operating revenue and the railway operating expenses and taxes as shown in Table I and Table II, Table III shows that the railway operating income for 1918 will be substantially \$98,000. Table III follows:

TABLE III.

Estimated Gross Income for Year 1918 on Basis of Six-cent Fares Where Five-cent Fares are Now Charged.

Railway operating revenues (Table I.)	\$324,906
Railway operating expenses and taxes (Table II.)	226,846
Railway operating income	\$98,060

INDICATED RATE OF RETURN.

Inasmuch as the Board has no positive evidence before it of the exact value of the property, the rate of return can only be determined between two limits. With reference to the value new, \$1,878,000, \$98,060 would indicate a return somewhat in excess of 5%. With respect to a depreciated value of \$1,500,000, the rate of return would approximate 6½%, so that it is fair to assume that the company will receive at least 6% on a capital base which will accord with the state of facts known to the American Railways Company at the time it took this property over.

In the course of the hearing considerable complaint was made to the character of the service being furnished by the petitioner. The evidence shows that the service, both as to the operating schedule and as to its maintenance is not what it should be. Under such conditions of operation it cannot be maintained that the value of the service to the rider is equal to that where safe, adequate and proper service is afforded. While some improvement

Jersey Central Traction Co.—Increase in Rates.

has been observed by the inspectors of the Board with respect to the service since the hearings in this matter were concluded, the service is not yet what it should be and the Board will make in its conclusions several requirements tending to improve this service.

The objectors to the petition claimed that the zones as operated by the company were not on an equitable basis in relation to the fares charged therein, there being quite an inequality in the length of the zones. The objectors also insisted that the charge for transfers would be inequitable in that the transfers are used by the company only as a convenience in its own operation of the road, and not as a necessity imposed by the character of such operation. Sufficient testimony was not produced to enable the Board to come to a conclusion with respect to either of these claims and the Board will therefore not attempt in this emergency proceeding either to readjust the zones claimed to be prescribed by ordinance, or to impose a charge for transfers contrary to the provisions contained in existing ordinances under which the company operates.

The Board therefore finds and concludes:

1. That the petition as filed should be and is hereby dismissed.
2. That the petitioner may file an amended schedule of rates providing that a war surcharge of one cent may be added to the five-cent fare now charged and that transfers be given where now given; subject, nevertheless, to the provisions hereinafter contained.
3. That the new schedule of rates shall, after filing it with the Board, be published to its patrons for three days by notice in its cars, and become effective after such filing and three days' notice.
4. Acceptance by the company of the increase herein allowed will be taken as a stipulation that abrogation or modification of the war surcharge may be made as and if conditions as indicated by operating results warrant.
5. The company shall promptly file with the Board for each calendar month, beginning with the month of September, 1918, during which the emergency surcharge is added to its rate schedule, a complete comparative income statement for 1917 and 1918 of its operations, showing revenue and revenue deductions, classified in accordance with the uniform system of accounts for street

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or traction railway utilities (first issue) prescribed by this Board, together with mileage, traffic and miscellaneous statistics, as required on page 35 of the form of annual report now required to be filed by this Board.

6. The Board will retain jurisdiction of the emergency or war surcharge as herein approved for the purpose of modifying or abrogating same as and if the conditions change.

7. That the company shall use every endeavor to maintain its operating schedule, especially with respect to connecting with trains used by its passengers.

Dated August 29th, 1918.

No. 611.

**BOROUGH OF RIDGEFIELD—CONSUMERS IN “MORSEMER” AND
PALISADES PARK ET AL.**

VS.

HACKENSACK WATER COMPANY.

Complaint is made of water supplied by the Hackensack Water Company in the boroughs of Ridgefield, Palisades Park and Morsemere. *Held—*

1. That an extension of main proposed by the utility is reasonable and proper and should afford relief.

2. The boroughs benefited by the extension should pay with respect to fire service fifty-two hundredths of a cent per inch foot of main, the total cost to be allocated to the municipalities benefited.

3. Domestic consumers with respect to service other than fire should pay for water service at the schedule of fixed service charges and the sliding scale of rates provided for the New Durham low and Weehawken high service districts when the superior service is installed.

W. M. Seufert, for the Borough of Ridgefield et al.

W. M. Wherry, for Hackensack Water Company.

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The Board has received numerous complaints in regard to the domestic and fire service afforded by the Hackensack Water Company in the Borough of Ridgefield, Palisades Park Borough and a subdivision of the latter, known as "Morsemere."

A hearing was called in the matter in order that the municipalities affected by the inch-foot charge for fire service might become familiar with the details of the proposed extension of main to be laid to relieve the conditions complained of and that the Board might determine whether the extension of main proposed would be adequate to furnish the relief required to comply with its service order issued pursuant to its report dated April 28th, 1917.

The various complainants were duly notified and a hearing was had July 17th, 1918.

The water company submitted a map of the proposed extension of main and after it was examined by the parties in interest the following extension of main was agreed upon by them, viz.: A 16-inch main leading from the northerly corner of Fairview Reservoir, known as No. 3, running thence northwesterly and northerly along Edgewater Avenue to Day Avenue; thence along Day Avenue northwesterly to Montgomery Avenue; thence northeasterly through Montgomery Avenue in a straight line to and through Delia Boulevard to Chateau Road; thence again continuing northerly through Temple Terrace to Homestead Avenue, continuing from said point with 12-inch main along Sixth Street to a dead end at Edsall Boulevard.

Calculations made by the Board's engineer indicate that this extension of main will furnish water in satisfactory quantities and at satisfactory pressures, both for domestic and fire service.

The company proposes to make this extension of main at its own proper cost and expense, but inasmuch as the water is to be delivered from the New Milford pumping station to the New Durham pumping station and at that station repumped to the higher level of Fairview Reservoir, known as No. 3, the company claims that this superior service should carry with it the schedule of rates charged domestic consumers in the New Durham high and low

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service instead of the schedule applicable to the New Milford service, under which schedule the two boroughs are now served.

The counsel for the objectors claims that the Board indicated in its service report of April 28th, 1917, that certain extensions and reinforcements of the system were to be required of the company as a consequence of its determination of a fair schedule of rates to be charged by the Hackensack Water Company on and after January 1st, 1918, and claims that such reinforcements were to be made in the boroughs in question without any change in the schedule of rates for domestic service.

A list of the extensions to be made by the company under the plan proposed by its engineer to extend and improve service will be found in the Board's report in the matter of service dated April 28th, 1917, at pages 23 and 24. The construction required by this plan is shown in detail in Diagram 15 on pages T 442 and T 443 of the company's Exhibit R-17-B.

These extensions, estimated to cost about \$1,700,000 at 1916 prices, are as follows:

"1. The construction of a reservoir at Alpine.

"2. The construction of a large transmission main from Alpine southward along the ridge as far south as the No. 3 reservoir at Fairview.

"3. The construction of a large transmission main from the New Milford pumping station eastward to the transmission main first referred to.

"4. The construction of a new transmission main from New Milford southward to Rutherford.

"5. The construction of an additional transmission main from New Milford, generally southeast, as far as Ridgefield.

"6. The installation at New Milford of additional pumps designed to deliver water into the Alpine reservoir through the transmission mains referred to under No. 1 and No. 2."

The purpose of items (1), (3) and that part of the transmission main covered by (2) which lies northerly of the main described in (3) was to supply a new territory. The cost of the construction

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of this part of the plan would be about \$670,000 at 1916 prices, and it would not directly relieve conditions of service in the territory already served.

The purpose of constructing that part of the main described in (2) which lies southerly from item (3) was to serve the Englewood high district and Weehawken high district. To the extent that it served water to these districts this part of the plan would relieve the three transmission mains now delivering water to New Durham pumping station and intervening territory in the New Milford low service district.

To the extent that the main described in (4) diverted water formerly passing through the said three transmission mains the latter would be relieved and the pressures in the latter increased.

The pumps covered by item (6) were intended to serve only the high districts. The relief to be afforded the New Milford low service district, then, outside of the Hackensack and Rutherford areas, was at first by diverting a considerable amount of the water passing through the three transmission mains from New Milford station to the New Durham station. After the construction work required for all the items except (5) was completed a new transmission main was to have been built from New Milford station at Ridgefield, as provided by item (5).

At the date of this report, the new transmission main (item 4) to Rutherford has been completed and placed in service, and a portion of the main covered by item (3) has been completed as far as Dumont. No other portion of the contemplated plan has been carried out.

As stated in both reports of the Board (in re service and in re rates) this plan, at 1916 prices, was estimated to cost about \$1,700,000, of which about \$670,000 was allocated to the construction necessary to serve the new district north of the Englewood high service district, and the remainder was to improve the service in the territory already served.

The Board based its conclusions on facts as they existed in 1916, though the report was issued in April, 1917. At the latter date the country had entered the war and prices began to rise rapidly.

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The cost of construction based on prices current in 1916 have mounted to such an extent that the same work would now cost at least twice as much as in 1916. The advisability of constructing the greater part of the plan above outlined was based on the possibility of creating a new service area in the Alpine district. Under present conditions, it would not appear to be wise to undertake this construction, as the capital expenditure now necessary would entail such high rates in the new district as to deter customers from taking the service. The Rutherford extension, and, to a small degree, the Dumont extension, should improve conditions in the complaining boroughs to the extent that they divert water from the mains serving the latter. To carry out the plan in full at any time since July, 1917, would have required an increase in the capital taken by the Board as a rate base of possibly 15% or 20%.

The average family will use probably 4,000 cubic feet (30,000 gallons) of water a year. The New Milford schedule would require a payment of \$7.52 for this quantity of water, and the New Durham schedule would require the payment of \$8.60. The minimum bill under the superseded schedule provided for payment of \$10 a year.

The service now afforded the complainants under existing conditions, (a) the relief to be afforded if a new 42-inch main from New Milford to Ridgewood, proposed under (5) of the original plan were at once installed, (b) and the alternative plan now proposed by the company (c) will now be taken up.

The allocation of any particular locality to a service district in the analysis adopted by the Board was determined by the way in which it could be best served. If it could be served direct by mains leading from the New Milford pumping station, which gives the initial pressure to all water sold by the company, it was put in the New Milford service district and service was rendered at the lowest schedule of rates; if the locality was served by water necessarily pumped twice, a higher schedule of rates was imposed to meet the added costs of service.

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(a) It now becomes necessary to examine in detail whether these boroughs at their highest points can be afforded fire service at pressures required by the Board's report in the service case at all times by mains leading direct from the New Milford pumping station and operated under the conditions existing at the time the Board's report was made. As may be seen by reference to said report, on page 11 thereof, and also by reference to Diagram No. 1, attached to this report, the New Milford district uses water which is pumped against an effective head of 320 feet of water pressure. As the pumping station is 10 feet above sea level, this gives an initial head above sea level of 330 feet. Three transmission mains above cited now lead from the New Milford pumping station to the New Durham pumping station and deliver this water at the New Durham pumping station at a head of 97 feet of water, New Durham being substantially 30 feet above sea level. This gives a total terminal head of 127 feet above sea level at the point of discharge, in the New Durham station. The hydraulic gradient, then, assumed by the water in approximately 70,000 feet of transmission main between New Milford and New Durham, drops 203 feet. The three transmission mains leading between the two stations referred to are tied together at a point in the vicinity of Bergen Turnpike and Broad Avenue, Ridgefield, so that the pressures in the three mains are at that point equalized and the mains may be treated as one at such point. The distribution mains serving the two boroughs in question take water from the transmission mains at about the point mentioned. The hydraulic gradient, then, at point "C" on the Diagram, that is to say, in the vicinity of Bergen Turnpike and Broad Avenue, Ridgefield, will indicate a head of about 183 feet above sea level. The system of distribution mains in the Borough of Ridgefield, Palisades Park Borough and "Morsemere," as before stated, receives its initial pressure from these transmission mains. Assume that there is no friction loss between Bergen Turnpike and Broad Avenue and the high point in "Morsemere," which, as stated, is located at Castle Hill Street and Homestead Avenue. This high point is 167 feet above sea level and is represented by "B" on

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Diagram No. 1. The diagram indicates that under static conditions a head of but 16 feet of water above the surface of the ground will exist at this high point. This is wholly inadequate for either domestic or fire service. Under present conditions it is therefore manifestly impossible for the high points in the district in question to be served by these three transmission mains direct from the New Milford pumping station without boosting of pressures.

(b) The next question to consider is whether the high point in "Morsemere" located, as stated, 167 feet above sea level, could be served from New Milford if the company had already installed the 56,000 feet of 42-inch main, to be provided under item (5) of the original plan, above stated, which its engineer estimated would be required in 1922. He estimated the draft on the three mains would slightly more than double in the eight years intervening, which would indicate a gain of about 50% in 1918. If, then, the new 42-inch main had doubled the capacity of the existing three mains, and the draft had increased 50%, roughly speaking, the hydraulic gradient would have been raised at New Durham, other things being equal, from about 127 feet terminal head to 216 feet terminal head, or a drop in head of 114 feet from 330 initial head. At the point where the transmission mains are tied together in Ridgefield the hydraulic gradient would drop, then, from 330 feet at New Milford about 82 feet ($\frac{5}{7}$ ths of 114 feet) to 248 feet head above sea level at Ridgefield. There would be a further friction loss between that point and the high point of 167 feet in "Morsemere" when water is being drawn for fires; but assuming no friction loss, it would require a head of 138 feet for fire pressures in addition to the 167 due to elevation and the sum of these two would indicate that the hydraulic gradient at that high point would have to be 305 feet above sea level to afford 60 pounds pressure for fire service, whereas it would be (as shown above) only 248 feet at the intake in Ridgefield without considering further friction loss in transporting the water to the high point. It again follows that, even with a new 42-inch main added to the three now in service, the high points

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of the complaining boroughs could not be served from New Milford without repumping. This repumping was found to be necessary with respect to the low lands, west of the New Durham station, the elevation of which is at no point as high as 100 feet. Yet this district pays the higher rates prescribed for the New Durham low and the Weehawken high service district for the reason that repumping or boosting was necessary in order to give adequate service.

Another consideration before referred to is the present high cost of construction and the difficulty of obtaining labor and material. The 42-inch extension proposed would, under present conditions, cost upwards of a million dollars or more than twice as much as in 1916, which increased amount the company would be entitled to add to its capital account. On the other hand, the extension now proposed is estimated to cost but \$75,000 instead of a million or more, and should give the safe, adequate and proper domestic and fire service to the complainants as outlined in the service report of the Board.

(c) The solution offered by the company, then, appears to be the proper one for the Board to accept, i. e., that the service should be taken from the higher level under present conditions. The fact that such conditions existed on the border line between the New Milford low pressure district and the New Durham low and high pressure districts was recognized by the Board, as may be seen by reference to the Board's report, dated April 28th, 1917, "In the Matter of Investigation by the Board of the Service Afforded by the Hackensack Water Company," at pages 24 and 25, quoted by counsel, and reading as follows:

"* * * * * In the testimony submitted by Superintendent French, of the water company, it was stated that a small percentage of the individual customers were so located as to present special problems with regard to obtaining service. These individual customers must be dealt with by the company in such a way as to enable the customers to obtain satisfactory service, and the Board will, upon individual complaint, investigate and issue

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such appropriate order as the circumstances in each case will justify. The Board will be glad to have its attention called to the particular individuals receiving inadequate service, and will require the company to file a list of all such customers known to the company, with full information as to the conditions under which service was originally established. Where it appears that certain customers now receiving inadequate pressure could have been connected to the higher pressure service without excessive cost, the company should not have allowed these customers a choice in this matter. The primary duty of the company is to furnish safe, adequate and proper service. The duty of the company that follows is to make charges for such service without undue or unjust discrimination. In view of these statements it is now the duty of the company to change the connection of customers so located without charging the customer for the cost of the change and to hereafter make such charges against those customers as apply to the class of service furnished."

As it is not economically feasible for these two boroughs to be properly served throughout their limits from the New Milford pumping station, it follows that they must take the classification of rates imposed by the Board upon the New Durham low and Weehawken high service districts, but without additional construction cost to be imposed upon any of the consumers affected in this proceeding. The additional cost to a domestic consumer by reason of the higher schedule is not very great. Assuming a consumption of 4,000 cubic feet or 30,000 gallons a year, the annual bill will be about one dollar higher than imposed by the New Milford schedule of rates ordered by the Board, or \$1.40 less than the annual minimum bill required by the company's schedule superseded by the new schedule ordered by the Board, as was hereinbefore shown.

Counsel for the company notified the Board's engineer that the material for this extension was ordered immediately after the hearing was concluded and, in a letter dated August 23d, stated

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that this extension is progressing; that the work of laying the 16-inch pipe commenced at the reservoir Monday, August 19th, as soon as the first shipment of pipe was received, and that the company has received notice of shipments of about twelve cars; and that whatever delay there is here will depend on the delivery of the pipe, which is not within the company's control.

This indicates that the company now realizes the necessity of relief from the distressing conditions complained of and is endeavoring to afford adequate service as promptly as war conditions will permit.

The Board therefore finds and concludes:

1. That the extension of main as proposed by the Hackensack Water Company in this matter is reasonable and proper and should afford relief to the Borough of Ridgefield and to Palisades Park Borough as indicated in the report of the Board, dated April 28th, 1917, "In the Matter of Investigation by the Board of the Service Afforded by the Hackensack Water Company."

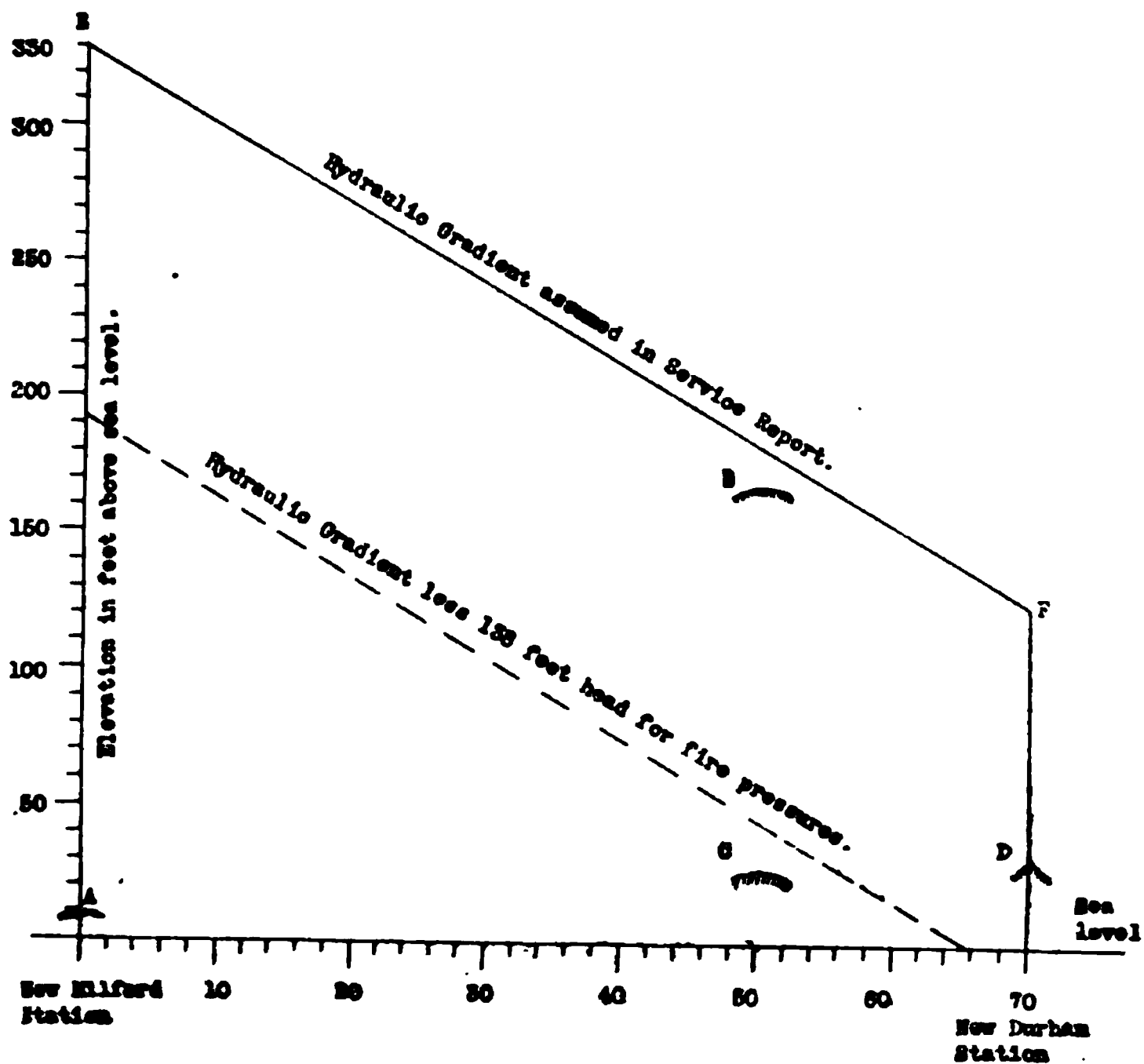
2. That the boroughs benefited by this extension should pay with respect to fire service fifty-two hundredths of a cent (\$0.0052) per inch-foot of main, the total cost to be allocated to the municipalities benefited, in accordance with the principles laid down in the service case hereinabove referred to.

3. That domestic consumers with respect to service other than fire should pay for water service at the schedule of fixed service charges and the sliding scale of rates provided for the New Durham low and Weehawken high service districts in said report, when the superior service is installed.

Dated August 29th, 1918.

DIAGRAM NO. 1.

SHOWING HYDRAULIC GRADIENT AT GIVEN POINTS.



DISTANCE ALONG 24" TRANSMISSION MAIN IN THOUSAND FEET.

A—New Milford Pumping Station,	10.0 feet above sea
B—Castle Hill Stand Homestead Ave., "Morsemere,"	167.0 feet above sea
C—Bergen Turnpike and Broad Ave., Ridgefield,	26.5 feet above sea
D—New Durham Pumping Station,	29.7 feet above sea
AE—Initial pressure at New Milford Pumping Station (head),	320.0 feet above sea
DF—Discharge pressure at New Durham Pumping Station (head),	97.0 feet above sea
Total initial head at New Milford Pumping Station,	330.0 feet above sea
Total discharge head at New Durham Pumping Station,	126.9 feet above sea

Public Service Railway Co.—Operation of Cars in New Brunswick.

No. 612.

IN THE MATTER OF THE OPERATION OF CARS OF THE PUBLIC SERVICE RAILWAY COMPANY AND PUBLIC SERVICE RAILROAD COMPANY OVER THE ALBANY STREET BRIDGE, CROSSING THE RARITAN RIVER, IN THE CITY OF NEW BRUNSWICK.

A street railway is ordered to cease operating cars over a bridge found to be in dangerous condition.

ORDER.

The Board of Public Utility Commissioners, after investigation and hearing at various times concerning the safety of traffic over the Albany Street Bridge, crossing the Raritan River, in the City of New Brunswick, and having had repeated inspections made of the structure for the purpose of assuring its safety, and on the twenty-fifth day of July, nineteen hundred and eighteen, a report having been made to the Board by its Chief Engineer of Bridges and Grade Crossings, in which it was recommended that on or before September fifteenth, nineteen hundred and eighteen, the construction of an adequate modern bridge to replace said Albany Street Bridge be begun and carried continuously to completion, and that unless this is done the present metal spans of the bridge be permanently closed to traffic, which report, by reference thereto herein, is made part hereof, the Board HEREBY finds that the condition of the structure is such that the temporary repair work is inadequate to safely maintain the traffic over the bridge, and that the condition of the structure is dangerous.

As the Board's jurisdiction extends to the operation of the cars of the Public Service Railway Company and Public Service Railroad Company over it, and as no permanent work of the nature indicated in the report has been begun, the Board of Public Utility Commissioners,

HEREBY ORDERS the Public Service Railway Company and Public Service Railroad Company to cease the operation of their cars across or over the metal spans of the Albany Street Bridge, crossing the Raritan River, in New Brunswick.

This Order to become effective September 15th, 1918.

Dated September 10th, 1918.

New Jersey Gas Co.—Increase in Rates.

No. 613.

**IN THE MATTER OF THE APPLICATION OF THE NEW JERSEY GAS
COMPANY FOR INCREASE IN RATES.**

1. To increase the charge for gas exclusively to retail metered consumers to meet increased costs of operation is not a proper method of charging.

2. Customers using large quantities of gas may be allowed an average rate equivalent to about 70 per cent. of the retail rate.

3. Where the average cost of supplying gas including six per cent. for use of capital is found to be \$1.80 per thousand cubic feet for retail customers 70 per cent. of this or \$1.26 per thousand cubic feet is fixed as the minimum average price to be charged for wholesale quantities.

4. Gas actually consumed in street lamps should be charged for at the rate of \$1.26 per thousand for the gas only, to which should be added the cost of lighting and extinguishing the lamps and maintaining the same in good operating condition.

5. In determining an equitable rate to be charged for gas, metered gas which has been furnished without charge under franchise provisions is assumed to take the retail meter rate.

6. Where the amount to be paid to the company for domestic metered service is found to be at the rate of \$1.80 per thousand cubic feet, a monthly service charge is fixed of 25 cents for each metered customer served through a three or five-light meter and a charge of \$1.65 per thousand cubic feet for gas actually used. The service charge is increased at the rate of one cent for each one-light increase in capacity above a five-light meter.

Norman Grey and Theodore J. Grayson, for the petitioner.

L. Edward Herrmann, for the Board.

S. W. Hurd, for the Borough of Vineland.

Benjamin Stevens, for Landis Township.

Francis B. Davis, for Franklin Township and Borough of Clayton.

Oscar B. Redrow, by *S. Huntley Beckett*, for the Borough of Wenonah and the Township of Mantua.

New Jersey Gas Co.—Increase in Rates.

Samuel P. Hagerman, for the Townships of Gloucester and Centre.

Charles S. King, for the Township of Clementon.

Garfield Pancoast, for the Borough of Laurel Springs.

The petition filed June 3d, 1918, alleges:

That on January 18th, 1918, the Board adopted a report which increased the rate of New Jersey Gas Company to \$1.25 uniform rate over its entire territory with a monthly readiness-to-serve charge of twenty-five cents.

That since March 1st, 1918, when the above-mentioned increase in rate went into effect, the petitioner has earnestly endeavored to conduct its business with such care and economy as to derive the expected benefit from said increase in rate.

The petitioner, however, avers and expects to be able to prove upon hearing that owing to the continuance of war the cost of operation has so greatly increased that instead of being adequate, as the petitioner expected that it would be, said increase in rate has not given even temporary relief; the net receipts of the petitioner have steadily fallen behind its operating expenses and fixed charges, so that today if the petitioner is to continue in business, pay its bond interest and other fixed charges, meet its operating cost and avoid a receivership, it must have a further increase in rate in the immediate future and without any more delay than is absolutely necessary to ascertain the truth and justice of the facts herein averred.

That, as has been set forth above, there is the most urgent reason for asking the Board to make a speedy investigation and an equally speedy determination of the prayer of the petition. So greatly have operating expenses and fixed charges exceeded receipts within the past ninety days that at this time the company owes more than \$15,000 for oil and more than \$5,000 for coal, which debts for immediate necessities have greatly impaired the company's credit and unless immediate assistance is obtained by the petitioner in the form of an increase in rate it is difficult to see how the company can continue to operate. It is further believed that there has been a deficit of upwards of \$22,000 for

New Jersey Gas Co.—Increase in Rates.

four months' operation ending April 30th, 1918. If this company ceases operation a territory including upwards of sixty municipalities and 70,000 inhabitants will be deprived of gas.

That in view of the foregoing averments of this petition the petitioner prays that from and after July 1st, 1918, the petitioner may be allowed to charge a uniform rate of \$1.65 per thousand cubic feet of gas for all gas sold to domestic consumers in the territory served by it, and in addition thereto to charge a readiness-to-serve charge of twenty-five cents a month for every connected five-light meter as set forth in the report approved by the Board as of January 18th, 1918.

The first hearing in this matter was held on June 25th, but no evidence was taken. The official representatives of thirty-three of the municipalities served by the petitioner were duly notified on June 29th by the Board's Secretary that this application would be the subject of hearing to be held before the Board on July 9th.

At the hearing on July 16th, counsel for the petitioner requested leave to amend the original petition filed in this matter to the extent of increasing the proportional charge for gas from \$1.65 per thousand cubic feet for gas actually used to \$1.80 per thousand. Notice of the application of the company to amend its petition was given to all the municipalities on July 18th.

The argument in the matter was heard on August 20th.

This application is in effect a continuation of the petitioner's former application on which the findings of the Board in its report of January 18th, 1918, was based and will be so treated in what follows.

I. CAPITAL USED AND USEFUL.

In its Exhibit P-13 the company shows its total capital used and useful as of May 31st, 1918, to be \$1,292,419. This amount is based on Table I of the Board's report of January 18th, 1918, additions to the amount indicated in that report having been taken to arrive at the total. As of July 1st, 1918, this is taken at the round figure of \$1,295,000. Six per cent. return on \$1,295,000 indicates the amount of \$77,700 for the use of capital. This is \$0.3963 per thousand cubic feet of gas based on weighted consumption of gas as shown in Table I hereof.

New Jersey Gas Co.—Increase in Rates.

II. ESTIMATED GAS CONSUMPTION FOR 180,000,000 CU. FT.
(Weighted in terms of retail metered gas taken as a base.)

In its proofs the company asks that substantially all increased costs be borne by retail metered gas consumption, but this is not the proper method to be adopted in establishing a schedule of rates, as has been indicated by the United States Supreme Court in *Northern Pacific Railroad Company vs. North Dakota, Ex. Rel. McCue* (P. U. R. 1915 C., pp. 286 and 287), in the following language:

“Certainly, it could not be said that the carrier may be required to charge excessive rates to some in order that others might be served at a rate unreasonably low.

“The outlays that exclusively pertain to a given class of traffic must be assigned to that class, and other expenses must be fairly apportioned, but when conclusions are based on cost, the entire cost must be taken into account.”

In order to determine what is an equitable rate to be charged for retail metered gas it is also necessary to consider the other classes of gas furnished by this company, viz.: (a) metered gas furnished free under the provisions of franchise ordinance, (b) that which is furnished free through street lights under the provisions of franchise ordinances, (c) gas consumed in municipal street lights which produces revenue, and (d) wholesale metered gas. As the result of investigations made by the Board where more ample proof was available, it has been found that customers using a considerable amount of gas may be allowed an average rate equivalent to about 70% of the retail rate. Gas used in street lamps, excluding the cost of the lighting and extinguishing of the lamps and the maintenance thereof, may be taken at substantially the same figure without any great error, especially as in this case the street lamp consumption is only about 5% of the total and is an “off peak” consumption with this company. We will assemble in Table I following the consumption of gas on that basis and arrive at a total consumption in terms of domestic metered gas taken as 100. Table I follows:

New Jersey Gas Co.—Increase in Rates.

TABLE I.

Estimated Gas Consumption for 1918 in 1,000 Cubic Feet.

(Weighted in terms of retail metered gas taken as a base.)

Ref.		Actual.	Weight.	Weighted.
Ex. P-10	Domestic consumption metered	180,000	100%	180,000
1917				
An. Rep.	Free franchise consumption metered,	810	100%	810
"	Free franchise street lights consump-			
	tion, non-revenue	810	70%	567
	Revenue street lights consumption...	10,000	70%	7,000
	Wholesale street lights consumption			
	metered	11,000	70%	7,700
		<u>202,620</u>	<u>96.8%</u>	<u>196,077</u>

This shows that the 202,620,000 cubic feet estimated to be used during the calendar year in terms of metered gas should be taken at 196,077,000 cubic feet in terms of retail metered gas or 96.8% of the actual amount consumed.

III. OPERATING EXPENSES ESTIMATED ON THE BASIS OF PRICES CURRENT IN JULY, 1918.

An investigation of the exhibits and statements submitted in this case indicates that the consumption for the four months of April, May, June and July, 1917, was almost exactly one-third of the entire consumption for that year. For that reason the operating expenses and taxes as indicated by the actual experience of the company for the months of April, May, June and July, 1918, will be taken, after adjustment of certain items to correspond with July costs, as substantially one-third of the total expenses and taxes to be incurred by the company during a full year's operation and in estimating the cost per thousand cubic feet the weighted consumption as shown in Table I will be used. These expenses, omitting street light expenses, are given for four months and for one year in Table II, which follows:

New Jersey Gas Co.—Increase in Rates.

TABLE II.

Operating Expenses Estimated for One Year at Costs Current in July, 1918.

	Four Months' Expenses, April 1 to July 31, 1918, Adjusted and Omitting Street Light Operation and Maintenance.	Twelve Months' Expenses on Basis of Four Months.	Cost per 1,000 cu. ft. of Gas weight as Indicated in Table II.
I. Production expense	\$56,312	\$168,936	\$0.8616
II. Distribution expense	9,981	29,943	0.1527
III. Street Lights Omitted .....	.....	.....	.....
IV. Commercial expense	4,850	14,550	0.0742
V. New business expense	206	618	0.0032
VI. General expense, omitting general amortization	11,309	33,927	0.1730
Subtotal	\$82,658	\$247,974	\$1.2647
VII. General amortization	1,771	5,313	0.0271
Total operating expense	\$84,429	\$253,287	\$1.2918
Taxes	7,431	22,293	0.1137
Uncollectibles	233	699	0.0035
Total revenue deductions	\$92,093	\$276,279	\$1.4090

This table indicates that the operating expenses and taxes will be for retail metered gas substantially \$1.41. The item of taxes is probably somewhat high, whereas general amortization is probably a little too low. The price being paid for oil by the company is somewhat higher than the market price by reason of the impairment of the credit of the company due to insufficient revenue with which to maintain its credit. It is probable that with increased revenues its credit will be so improved that it may be able to decrease the cost of the oil to such an extent as to largely offset the losses due to increased consumption. On the other hand, where a higher rate for any commodity is imposed, as a rule the

New Jersey Gas Co.—Increase in Rates.

consumption declines. It is considered by the Board that the total operating expenses as shown may be taken as fair both to the petitioner and its customers.

IV. REVENUE REQUIRED FROM THE SALE OF 180,000,000 CUBIC FEET OF RETAIL METERED GAS ON THE BASIS OF COSTS CURRENT JULY 1, 1918, TO RETURN 6% ON CAPITAL.

This may be most concisely stated in the shape of a table using the information derived hereinbefore for that purpose. This table excludes all classes of gas except retail metered gas, which is the only class of gas mentioned in the petition of the New Jersey Gas Company. Table III follows:

TABLE III.

*Cost of 180,000,000 Cubic Feet of Retail Metered Gas as of July 1, 1918.
On Basis of Six Per Cent. Return on Capital.*

	Per 1,000 Cu. Ft.	Refer to	Amount as Allocated.
For use of capital	\$0.3963	Sec. I.	\$71,334
For revenue deductions	1.4090	Table II.	253,620
Total	\$1.8053		\$324,954
Deduct amount to be realized from service charges	0.1500		27,000
Revenue to be derived from retail metered gas	\$1.6553		\$297,954

This indicates that the company will be able on the basis assumed to furnish retail metered gas consumers at the following rates:

A service charge of 25 cents for three and five-light meters and larger sizes as indicated in the Board's report of January 18th, 1918, and a rate for the gas actually consumed of \$1.65 per thousand.

New Jersey Gas Co.—Increase in Rates.

V. EQUITABLE AVERAGE RATES FOR GAS OTHER THAN RETAIL
METERED GAS.

Wholesale Gas.

In Table III above it will be seen that the *average* cost of gas independent of a monthly service charge is \$1.80 per thousand cubic feet. Seventy per cent. of this would be \$1.26, which should be the minimum *average* amount charged for wholesale gas, in order that the calculations herein made may be realized by the company in actual revenue.

Municipal Revenue-Producing Street Lights.

The gas actually consumed in the street lamps should be charged at the rate of \$1.26 per thousand for the gas only, to which should be added the cost of lighting and extinguishing the lamps and maintaining same in good operating condition.

Gas Now Furnished Free Under the Provisions of Ordinances.

In determining an equitable rate in this report the franchise metered gas now furnished free is assumed to take the retail metered rate of 25 cents per month for a three and five-light meter plus the actual gas consumed at the rate of \$1.65 for a thousand feet and the street lamps are indicated to bear the same rate as that for revenue-producing street lamps.

The Board therefore finds and concludes:

1. That the amount of relief asked by the petitioner is not warranted by the facts, and for that reason the petition will be dismissed.

2. That the petitioner may file a new schedule of emergency rates, effective from the date hereof, as follows:

(a) Each connected customer shall pay a "readiness-to-serve" charge of 25 cents per month for gas served through a three or five-light meter. For customers served through meters of larger capacity the monthly service charge will be increased one cent for each one-light increase in capacity above a five-light meter.

(b) For all gas consumed the retail customer shall pay \$1.65 net per thousand cubic feet of gas actually consumed.

Middlesex Water Co.—Approval of \$125,000 Common Stock—Rehearing.

3. Acceptance by the company of the increase herein allowed will be taken as a stipulation that abrogation or modification of the war increase may be made as and if conditions as indicated by operating results warrant.

4. Beginning at the effective date of said schedule of rates, the company is to render reports monthly to the Board showing the Operating Revenues, Operating Deductions excluding General Amortization, Non-Operating Income, Income Deductions and balance available for Amortization, Dividends and Surplus and amount appropriated for General Amortization for each succeeding calendar month, with comparison with the figures for the corresponding month of 1917; and the Board will retain jurisdiction of the emergency or war surcharge as here approved, for the purpose of modifying or abrogating same as and if the conditions change.

Dated September 10th, 1918.

No. 614.

IN THE MATTER OF THE APPLICATION OF THE MIDDLESEX WATER
COMPANY FOR APPROVAL OF \$125,000 COMMON STOCK—
REHEARING.

A water company is allowed to issue stock on the basis of uncapitalized construction expenditures made since January 1, 1911.

Foster M. Voorhees and Frank Bergen, for the company.

L. Edward Herrmann, for the Commission.

The company originally filed a petition February 28th, 1918, requesting the approval of an issue of \$250,000 of common stock, of which amount it proposed to issue \$90,000 as stock dividend. On April 8th, 1918, a new petition was filed, asking for approval

Middlesex Water Co.—Approval of \$125,000 Common Stock—Rehearing.

of the issue of \$125,000 common stock, "to be sold at not less than par, and the proceeds of which are to be used for the payment and cancellation of debts incurred for extensions to the plant of said company and to reimburse the treasury of the company for cost of such extensions." Leave was also asked in above-mentioned letter of April 8th to withdraw the petition of the company dated February 28th, 1918.

Hearing was held on the second petition on April 15th, 1918, as the result of which the petition was denied, due to the failure of the company to file an appraisal of its property in accordance with the supplement to Conference Ruling No. 13. On request from the company, the matter was reopened and a rehearing was held on July 1st, 1918, at which time an appraisal of the property was submitted by the company, the same having been made by the company's superintendent, Mr. Mundy. This appraisal was divided into two parts, Part I covering property acquired prior to December 31st, 1912, and Part II covering property acquired from December 31st, 1912, to January 1st, 1918.

It developed at the hearing that the total given for the property acquired subsequent to 1912 was about \$25,000 greater than the amount shown for net additions in the annual reports of this company. This matter was taken up with Mr. Mundy subsequent to the hearing, and it was found that some of the items listed as having been installed subsequent to 1912 should have been listed in the period prior to that date, which items accounted approximately for the difference. The inspector was also informed that the 10 acres of land in Piscataway Township (page 3, Exhibit P-1), listed at \$10,000, should have been included as 53 acres of land at a cost of \$23,000, or \$13,000 in excess of the amount given.

On page 2 in the exhibit under Robinson's Branch Property, an amount of \$13,097.17 is given for "Discounts." This is an item which, apparently, should be omitted and offsets the omission of land, leaving the total for the company's appraisal as corrected at approximately the same figure as given at the hearing, viz., \$1,027,460. In this total is included charges for engineering of \$6,500.

Middlesex Water Co.—Approval of \$125,000 Common Stock—Rehearing.

The company does not have any adequate record of its distribution system, and hence it appears that an addition of 12% for overhead expenses, including engineering, omission and contingencies, interest and taxes, etc., is an adequate allowance, and aside from the item of interest charges, is more than the company has expended since December 31st, 1912, as base figures include all capital expenditures as sworn to in the various annual reports. Twelve per cent. addition amounts to \$123,295. Total value new of the tangible property as obtained thus is \$1,150,755. Accrued depreciation estimated partly on age and life basis (straight line depreciation) and partly on a condition basis is approximately (\$126,700). Deducting this amount gives the value of tangible property as (\$1,024,055) December 31st, 1917.

The total fixed capital on the company's books as of December 31st, 1917, is \$1,343,137.04. Deducting an amortization reserve of \$60,581.74, gives the present value of the property per books as \$1,282,555.30, December 31st, 1917. The difference between this item and the present value, as found from the appraisal, is (\$258,500) and this amount must represent the increase in the value of land over original cost and the value of the company's intangible property if the figures as shown on the company's books are to be accepted as not exceeding the real value of its property.

All of the transmission and distribution mains belonging to the company appear to have been included in the company's appraisal at a figure representing the approximate unit costs to the company during recent years.

These items and others included in the company's inventory have been examined with sufficient care to indicate that the appraisal as a whole is reasonably correct, and that the total is probably approximately correct for the cost of material, labor and real estate making up the company's property and based on pre-war prices, except for so much of the property as was actually acquired during the period of the war.

The company's books of account and their annual reports to this Board show that the following changes have taken place in their property account and securities issued or approved from January 1st, 1911, to date:

Middlesex Water Co.—Approval of \$125,000 Common Stock—Rehearing.

1911 net additions to plant.....	\$44,108.71
1912 net additions to plant.....	68,091.38
1913 net additions to plant.....	37,101.57
1914 net additions to plant.....	26,752.52
1915 net additions to plant.....	24,577.44
1916 net additions to plant.....	103,519.65
1917 net additions to plant.....	53,299.67
Total	\$357,450.94

During this period the net increase in the reserve for accrued
amortization of capital is \$60,581.74
Amortization of debt, discount and expense amounted to..... 5,770.00

Total of the above two items invested in plant..... \$66,351.74

Balance invested in plant \$291,099.20
Proceeds of \$300,000 in bonds authorized to be issued at 80 in
1911 is 240,000.00
Amount used to retire floating indebtedness outstanding on Jan-
uary 1, 1911, per schedule X of 1911, petition for approval of
bonds, is 109,415.70
Cash value of bonds already issued or approved to cover above ex-
penditures 130,584.30
Net additions to plant applicable to proposed stock issue..... 160,514.90

In June, 1917, an issue of \$200,000 in bonds at 95 was approved
to be used in refunding the same amount of bonds maturing at
about that time. On account of the bond discount there will be
a shortage of \$10,000 when this refunding is consummated. Add-
ing this amount to the figure of \$160,514.90 given above, gives
a total of \$170,514.90 as a basis for the issue of the proposed
stock.

A consideration of the case indicates that the company is de-
serving of whatever assistance can reasonably be rendered by the
Board, and it would appear to be proper to give approval for the
issue of proposed stock on the basis of uncapitalized construction
expenditures since January 1st, 1911. The company, in 1911,
submitted a petition for the approval of the issue of \$300,000
in bonds, of which amount \$109,415.70 in cash was expended to
retire floating indebtedness outstanding on January 1st, 1911.
The additions to the property during the preceding year of 1910
amounted to \$37,910. For 1909 they amounted to approximately
\$37,175; for 1908 to approximately \$98,560. Hence, the Board,
in giving approval to this issue of bonds, practically allowed the

Board of Education of Hasbrouck Heights vs. Hackensack Water Company.

company to capitalize part of the expenditures made in 1908, those made in 1909, and for several years subsequent thereto.

The pending petition makes no mention of a stock dividend, although the testimony in the case indicates that the company intends to use the funds acquired for the payment of a large cash dividend with which the stock can be purchased. The Board will approve the issue by the company of stock in the par value of \$125,000, for the purposes stated in its petition. The propriety of the payment of a large cash dividend of this kind is for the Board of Directors of the company to determine.

A certificate will accordingly issue.

Dated September 10th, 1918.

No. 615.

BOARD OF EDUCATION OF HASBROUCK HEIGHTS

VS.

HACKENSACK WATER COMPANY.

1. A rate fixed by the Board after an exhaustive investigation will not be changed in the absence of evidence that the same is unreasonable.

2. The ordinary domestic consumer of water requires a sufficient quantity only for his own needs, which can be readily ascertained. For private fire service a much larger quantity has to be maintained. The domestic consumer should not be burdened with the cost of maintaining this capacity.

S. L. Goodwin, for Board of Education of Hasbrouck Heights.

W. M. Wherry, Jr., for Hackensack Water Company.

A complaint was filed by the Board of Education of Hasbrouck Heights on June 11th, 1918, alleging, in effect, that the rates charged by the Hackensack Water Company for private fire lines are excessive.

Board of Education of Hasbrouck Heights *vs.* Hackensack Water Company.

The particular private fire lines in which the complainant is interested are those installed in school buildings for the Board of Education. The complaint, however, was general and was applied to all private fire lines. The rate complained of was one fixed by this Board in its investigation of the rates of Hackensack Water Company, a report of which was made on April 28th, 1917.

This investigation was exhaustive, covering a long period of time, and every rate was considered, as well as all classes of service furnished by the respondent water company. The schedule of rates finally determined by us to be just and reasonable was based upon principles which we then believed, and now believe, to be sound. The major part of the costs for private fire lines are for the maintenance of a larger service than would be required for ordinary domestic consumption. The ordinary domestic consumer only requires sufficient water for his domestic needs, the amount of which can be readily ascertained. For private fire service, however, a very much greater capacity has to be maintained. The Board did not burden the domestic consumer with the cost of maintaining this capacity, but in fixing its schedule placed these costs where they belonged.

No evidence has been advanced which would indicate that the rates contained in the schedule heretofore fixed by this Board as fair and reasonable, are unjust or discriminatory. Were we convinced that any error had been made in fixing these rates we should feel obliged to reopen the matter. It has not been shown that the rates heretofore fixed by the Board are unjust or unreasonable.

The complaint is, therefore, dismissed.

Dated September 10th, 1918.

William I. Schnepf vs. Hackensack Water Co.

No. 616.

WILLIAM I. SCHNEPP

VS.

HACKENSACK WATER COMPANY.

Complaint is made of the rules of a water company requiring plumbers to obtain licenses from the company and imposing fines for violating the company's rules. *Held—*

1. A utility is not vested with licensing powers, thereby giving it the right to prefer a favored few to perform work which a customer has a lawful right to have performed. The work performed and service installed should be in accordance with the lawful rules and regulations established by the company, but the company should not have authority to discriminate among or restrict those who have the right to perform work of this character.

2. A utility cannot impose fines or penalties.

William M. Seufert, for petitioner.

William M. Wherry, Jr., for company.

An informal complaint was filed with the Board by William I. Schnepf, complaining as to certain rules and regulations of the Hackensack Water Company.

In his letter dated March 8th, 1918, he raises the question thus:

“Would you kindly let me know if it is necessary for a plumber, builder or house owner to have a license with the Hackensack Water Company, and go under bond, to have a water tap made?”

And again in his letter dated March 15th, 1918, he asks:

“Would you please tell me why I must have a license with the water company, and why the water company refuses to make a tap for my customers, if they are willing to fill out the application, sign their name and pay the fee required? What have they got to do with a plumber? as under the new rules of the Public Utilities, the water

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company makes the tap, furnishes the material and does the work, also sets the water meter, and, as you know, the water company is not responsible for the main from the curb to the house. I cannot see where a plumber has anything to do with the water company, to have a license with the water company and go under bond?"

The company answered the complaint, and, on notice, hearing was held at Newark, April 15th, 1918. Testimony was taken and briefs were filed by the respective parties, April 30th, May 3d and May 10th, 1918.

The rules and regulations complained of provide as follows:

Rule 1, in part:

"Service connections will be made to the mains of the water company upon application in writing by the owner or occupant of any building or premises, as follows:

"Upon receipt of such application, except as hereinbelow provided for, the tapping of the main will be done, and the service line from main to curb, curb stop-cock, and curb box will be furnished and placed by the company, or its agent, at its expense; the remainder of the service connection to meter will be placed *at the owner's expense by the company at cost, payable in advance, or at the option of the owner such additional service connection may be placed by himself or his agent at his own expense. All such work must be performed by a plumber duly licensed by the company.*"

Rule VII, 3, in part:

"Every plumber at the time of receiving his license shall execute and deposit in the office of the company a bond of a surety company to be approved by the company, in the sum of \$1,000, conditioned that he will pay all moneys due to the company *for fines and otherwise.*"

Rule VII, 11:

"Any plumber who shall be guilty of violating any of the rules of the company may be immediately suspended and deprived of his license, or subjected to a fine not exceeding \$25."

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Rule VII, 12:

"In all cases where a fine is imposed, the party so fined may be suspended from acting under his license until the fine is paid."

On March 10th, 1917, the Board adopted certain uniform rules and regulations applying to water utilities. One of these provides:

Part II, VII, Ownership:

"The utility shall, without charge, furnish and install each customer supplied with water on a measured basis, with a suitable meter and such service appliances as are customarily furnished by the utility, in order to connect the customer's equipment with its mains."

Since the adoption of this rule by the Board, the Hackensack Water Company adheres to the practice that the owners of properties served by the company, should, themselves, notify the company or make proper application for a meter, and the company, in pursuance thereof, sets the meter.

During the extreme cold weather, particularly in the early part of January, 1918, the water in a large number of meters, as well as pipes, in the customers' premises served by the company, froze, necessitating the installation of meters and the repair of pipes.

The petitioner, engaged in the plumbing business in the territory served by the company, is, and has been for a number of years, a licensed plumber of the company, and in the extreme weather had many requests to repair pipes and also to connect pipes to supply water to customers of the company. Some of his customers, living in old houses and having "frozen meters," requested him to repair the pipes and put in meters, while others, moving into new houses without meters, requested that he connect the pipes and install meters. The testimony is that he informed these various customers that the company should furnish the meters. While it does not appear that these owners made proper applications to the company for meters, yet the petitioner, acting for them, did request the company to install meters in the old houses as well as the new—the petitioner giving the company the street addresses of the applicants. The petitioner testifies

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that he made this request to Mrs. Baxter, an employe of the water company, over the telephone, at the offices of the Hackensack Water Company, giving the properties as 25 Ridgefield Ave., 21 Palisade Ave., 10 Fort Lee Road, 42 Linwood Ave., Walnut St., Teaneck and James Sts., Teaneck St., and that she replied (testimony, p. 11), "They were very busy; that is all I could get. They were busy and short of help and hundreds ahead of me, and they did not know when they could get it." The petitioner, in view of the extreme weather and also because of the fact that the houses in question were without water and could not be heated, although occupied, did immediately, without informing the company, install "slip-joints," which is a device around a meter enabling the consumer to obtain water without the water being metered. The installation of these "slip-joints" permitted the consumers to obtain water and heat during the extreme cold weather.

On behalf of the company, Mrs. Baxter testified that she recalls having a conversation with Mr. Schnepf relative to frozen meters; that this occurred possibly the first week in January, 1918; that she informed the petitioner of the rules of the company to the effect that the plumbers no longer set meters, but that the company takes care of that, and that it would, as soon as possible, do so upon receiving orders from the owners. She denies that the petitioner requested the company, through her, to install any meters; that the record of meter installation is kept by service numbers and house numbers; that service numbers 3348 on James St. and 7099 on Walnut St. were frozen and new meters installed because they were frozen, but the company had no orders to do so; that the only orders which she received during the month of January were service numbers 7713, 7686 and 7682, all of which were installed and which do not correspond with the house numbers claimed to have been given to her by the petitioner.

The company did not discover the installation of the "slip-joints" until the March meter readings in 1918. It then revoked the license of the petitioner and endeavored to impose a fine provided for in the rules for the installation of each and every "slip-joint." Later, by certain computations, the company estimated

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that the water consumed through these "slip-joints" exceeded the fine. It apparently withdrew the imposition of the fine and insisted that the petitioner pay for the water which it alleges was consumed through the "slip-joints" and refuses to renew complainant's license. The petitioner was obliged to discontinue plumbing work where the company is involved, except through another licensed plumber.

Chapter 195, Laws of 1911, par. 18 (C) in part provides:

18. "No Public Utility as herein defined shall:

(C) Adopt, maintain or enforce any regulation, practice or measurement which shall be unjust, unreasonable, unduly preferential, arbitrarily or unjustly discriminatory or otherwise in violation of law."

The questions involved lead to an inquiry as to whether certain of the rules, regulations and practices of the company are contrary to the provisions of the utility act above quoted.

A utility is not vested with licensing powers, thereby giving it the right to prefer a favored few to perform work which the customer has the lawful right to have performed. The work performed and the service installed thereunder should be in accordance with the lawful rules and regulations established by the company, but the company should not have the authority to discriminate among or restrict those who have the right to perform work of this character.

One cannot arbitrarily levy or impose a fine or penalty without the consent of the other. Fines or penalties are usually levied or imposed by courts, pursuant to law, or by social, industrial or fraternal organizations, by virtue of the provisions of constitutions and by-laws, under the terms of which membership in the organization is founded. Frequently, penalties set forth in agreements under seal, duly executed by both parties, are not recognized as such. Hence, it follows that a utility cannot impose fines or penalties.

A utility should not and does not have the right to license plumbers in a manner admitted by this water company; nor to require a plumber to comply with rules and regulations which this Board determines are unjust and unreasonable.

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We find and determine that the following part of Rule 1, under head of Service Connections, Section A, which reads,

“All such work must be performed by a plumber duly licensed by the company,”

And Rules 11 and 12, under the head of Service Connections, Subdivision 7, which read,

“11. Any plumber who shall be guilty of violating any of the rules of the company may be immediately suspended and deprived of his license, or subjected to a fine not exceeding \$25.

“12. In all cases where a fine is imposed, the party so fined may be suspended from acting under his licenses until the fine is paid.”

And also that portion of Rule III, under Section 7, Division A of the company's rules, which reads,

“Every plumber at the time of receiving his license shall execute and deposit in the office of the company a bond of a surety company, to be approved by the company, in the sum of \$1,000, conditioned that he will pay all moneys due to the company for fines and otherwise,” are unjust and unreasonable.

We RECOMMEND that the rules and regulations of the company herein specified and criticised be amended by removing the objectionable provisions, and that said amended rules be filed with this Board within thirty days from the date of this report.

It is not disputed that the petitioner violated the rules of the company in installing, without the knowledge of the company, “slip-joints.” His conduct in this particular is the object of just criticism, and only the unusual and extraordinary weather conditions of last winter lead us to recommend a condonation of it. It is not denied that the customers in question had “frozen meters” and bursted pipes and were without water and heat during the extreme cold weather. This fact was communicated to the company quite definitely, although, perhaps, not according to the form and procedure adopted by the company, but certainly in a manner sufficient to apprise it of the serious situation in which its consumers were placed. Either because of carelessness,

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indifference or wanton disregard of its duty, the company made no attempt to install the meters. Indeed, it did not discover the installation of "slip-joints" until some time in March, nearly two months later.

The petitioner, a man of apparent good reputation, holding a license from the company for a number of years, and acting in good faith, did what was technically improper. He nevertheless very materially relieved the serious situation in which the consumers were placed by extraordinary conditions.

As the Board has no jurisdiction over the collection of debts or awarding damages, it is, therefore unnecessary to pass on the question whether the petitioner should be required to pay for the water consumed. We are, however, of the opinion that the petitioner should be permitted to perform plumbing work on the company's water system in accordance with lawful and reasonable rules.

Dated September 17th, 1918.

No. 617.

THE SEVENTH WARD REPUBLICAN CLUB OF JERSEY CITY, THE
GREENVILLE DEMOCRATIC CLUB ET AL.

vs.

PUBLIC SERVICE RAILWAY COMPANY IN RE SERVICE ON GREEN-
VILLE LINE, JERSEY CITY.

A street railway failing to furnish proper and adequate service on part of its system is directed to operate the full number of cars called for by its schedule and to make certain changes and improvements in methods of operation.

Walter J. Gorman, William George and Arthur H. Westheimer,
for the complainants.

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J. F. Gannon, Jr., and F. J. Riordan, for Jersey City.

H. C. Donecker, for the respondent.

The complainants in this proceeding allege that the respondent fails to furnish proper and adequate service on the "Greenville" Line of its electric railway, operating between Exchange Place Terminal, Jersey City, through the section known as Greenville and thence on to Bayonne, in that an insufficient number of cars are operated over this line, during what are known as the morning and evening commission hours, to properly accommodate the number of persons desiring to use said cars. The complainants allege that this condition not only works a hardship on the patrons of the line, but is driving the residents away from the community affected and tends to decrease the population thereof.

The respondent did not file a formal answer with the Board, but presented its case in the form of testimony submitted by several officers and other employes of the company at hearings held in Jersey City February 4th and 11th, 1918. At these hearings testimony and exhibits, which were intended to show the alleged inadequacy of the service complained of, were submitted by the complainants' witnesses and also by witnesses produced by the City of Jersey City. The latter also submitted evidence in the form of testimony and exhibits which were intended to show that proper and adequate service was not being furnished on the Jackson and Belt lines operated by the respondent company in Jersey City.

Investigation of the traffic conditions on the Greenville Line had been made from time to time by inspectors of the Board and testimony and data in the form of exhibits were submitted by the Board's inspector. The latter testimony indicated that on the dates the inspections were made—

1. The respondent failed to operate the number of cars required by its schedule, and, contrary to the recommendation of the Board, as contained in its inspector's report of October 9th, 1914, which recommendation called for an increase of six and twelve additional cars in the morning and afternoon commission hours respectively.

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2. An insufficient number of cars were being operated during the rush hours to properly or reasonably accommodate the number of persons desiring to use such cars.

3. The headways maintained were generally irregular, which, however, was due in part to vehicular interference.

4. Better operation of cars would result if the switch on the southbound track at Grand Street and Communipaw Avenue were electrically operated.

The observations of the Board's inspector were made during periods in which normal as well as abnormal weather conditions prevailed.

The complainants in their testimony, while criticising the service furnished, in that cars were very much overcrowded, particularly during the severe weather which had prevailed during the several weeks immediately preceding the hearings, also laid stress on the fact that the service had been inadequate for a long time previous to such weather conditions. The complainants also referred in their testimony to irregularity of headways and lack of proper waiting room facilities at Exchange Place Terminal.

The testimony of the witnesses for the City of Jersey City corroborated the testimony of the complainants and the inspector of the Board in regard to the service on the Greenville Line.

The testimony submitted by the City of Jersey City in regard to the service furnished on the Jackson and Belt lines operated by the respondent company in Jersey City was not conclusive and of little value.

The respondent in its testimony admitted that the full schedule had not been regularly operated on the Greenville Line during the several weeks preceding the hearings, owing to abnormal weather conditions resulting in shortage and inefficiency of platform men, serious and continued interruptions of street car traffic by vehicles occupying the tracks, crippling of its rolling stock and other similar conditions, many of which it was alleged were beyond the company's control.

It appears from the testimony that the respondent is not furnishing proper and adequate service on the Greenville Line. This conclusion is reached by a perusal of the testimony adduced at

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the hearings by complainants' witnesses and the Board's inspector. This condition resulted from:

(1) Operation of insufficient number of cars during commission hours, resulting in the overcrowding of cars.

(2) Irregularity of headways.

(3) Inadequate terminal facilities at Exchange Place.

(4) Interference of vehicular traffic.

It appears that some time previous to the hearings the company had made some improvement in the service furnished through the replacement of certain cars then being operated on the line with cars of greater capacity. It also appears that the proper operation on the Greenville Line was interfered with to a considerable extent during the several weeks immediately preceding the hearings owing to vehicular traffic occupying the tracks and other circumstances resulting directly from the abnormal weather conditions which prevailed during said period.

Nevertheless, having in mind the entire situation as evidenced by the record, the Board FINDS and DETERMINES that:

The Public Service Railway Company does not furnish adequate and proper service on what is known as its "Greenville" Line, operated in Jersey City and adjacent territory, and that in order to render such service it should do the following:

1. Operate at least the number of cars as provided for in its schedule dated September 24th, 1917, numbered 3,913.

2. During the evening commission hours, beginning at 5 o'clock and continuing until 6:15 o'clock, it shall operate to and from the intersection of Henderson or Grove Streets and Grand Street, a seven and one-half-minute headway to Greenville car house.

3. Distinctly indicate by a suitable sign carried on the cars the destination of the cars referred to in paragraph 2.

4. Refrain from turning back any cars except as indicated in paragraph 2 unless emergency conditions render it advisable to do so.

5. Submit to the Board of Public Utility Commissioners once a week during the commission hours traffic readings taken at two points on the Greenville Line, beginning October 15th, 1918,

International Harvester Co., &c.—Approval of Merger and Consolidation.

ending February 1st, 1919. The points and time to be designated by the Board of Public Utility Commissioners.

Sections 1, 2, 3 and 4 to be effective October 1st, 1918.

With the view of further improving the service on the Greenville Line the following is RECOMMENDED:

(1) That the necessary steps be taken by the proper authorities to reduce to a minimum the interference of street car traffic by vehicular traffic on the streets in Jersey City and Bayonne traversed by the Greenville Line.

(2) That the various industries whose employes are patrons of the Greenville Line give careful consideration to the matter of "staggering" the hours of employes. The effect of this would be to "flatten the peak," that is, spread out over a longer period the total traffic during commission hours.

(3) That the Public Service Railway Company consider the advisability of providing waiting room facilities at Exchange Place Terminal.

Dated September 17th, 1918.

No. 618.

IN THE MATTER OF THE PETITION OF INTERNATIONAL HARVESTER COMPANY OF NEW JERSEY, AND INTERNATIONAL HARVESTER CORPORATION, FOR THE APPROVAL OF A CERTAIN AGREEMENT OF MERGER AND CONSOLIDATION.

Approval is given to an agreement of merger and consolidation of the International Harvester Company of New Jersey and the International Harvester Corporation, both New Jersey corporations, it appearing that the merger will accomplish greater efficiency and economy in management and is for the general welfare of both companies.

R. V. Lindabury, for the petitioner.

L. Edward Herrmann, for the Board.

International Harvester Co., &c.—Approval of Merger and Consolidation.

On September 10th, 1918, a petition was filed by the International Harvester Company of New Jersey, a corporation of this State, engaged in the manufacturing, selling and dealing in harvesting machines, tools and implements of all kinds; and all devices, materials and articles used, or intended for use, in connection therewith; and all repair parts and other devices used, or intended for use, in connection with any kind of harvesting or agricultural machines, tools or implements, or any gasoline, electric or other vehicles.

Said corporation has an authorized capital stock of \$70,000,000, divided into 700,000 shares of the par value of \$100 each, of which 300,000 shares are 7% cumulative preferred stock, and 400,000 shares are common stock. That all of the certificates for said shares of stock have been duly issued, and that certificates for 294,581 shares of said preferred stock, and 382,536 shares of said common stock are now outstanding; and certificates for 5,419 shares of the preferred stock and for 17,464 shares of said common stock have been returned to, and are now owned by said corporation and are held in its treasury.

International Harvester Corporation is also a corporation of this State, engaged in the same business as the International Harvester Company of New Jersey; it has an authorized capital stock of \$70,000,000, divided into 700,000 shares of the par value of \$100 each, of which 300,000 shares are 7% cumulative preferred stock, and 400,000 shares are common stock, certificates for all of which have been duly issued, and certificates for 293,575 shares of said preferred stock, and 399,244 shares of common stock are now outstanding, and certificates for 6,425 shares of said preferred stock, and for 756 shares of common stock have been returned to, and are now owned by said corporation and are held in its treasury.

An agreement of merger, dated July 26th, 1918, was entered into by these corporations, providing for the merger and consolidation thereof into a single new corporation under the name of International Harvester Company. It is the approval of this agreement that is sought. As is required by Chapter 19 of the Laws of 1913, Pamphlet Laws 1913, page 33, evidence was pre-

International Harvester Co., &c.—Approval of Merger and Consolidation.

sented showing compliance with the provisions of sections 104 and 105 of the general corporation act of this State.

In the matter of the application of the American Malt Corporation and American Malting Company for approval of Agreement of merger and consolidation, Reports of the Board of Public Utility Commissioners, Vol. 2, page 403, this Board says:

“In general, therefore, the Board is of the opinion that, inasmuch as formal approval by a state tribunal is now of necessity, a requirement in the case of every merger, the company resulting from such merger may properly be required to show at the time of merger: (1) assets behind its securities in amount sufficient to conform with the requirements imposed by the State upon companies newly incorporating under its laws:

) “(2) that such a merger must not by any of its terms subject any security holder in any of the consolidating or merging companies to an unfair or inequitable condition or arrangement:

“(3) that in carrying out of such merger it must be affirmatively shown that each and every statutory requirement applicable in the premises has been complied with.”

We are satisfied that all of the requirements of the statute have been regularly complied with.

Evidence was produced in much detail showing the financial condition of both companies, numerous exhibits including balance sheets as of December 31st, 1917, of both companies, as of the same date, and statement showing complete assets of both companies as of the same date were offered and received in evidence.

These exhibits show that the assets of the International Harvester Company of New Jersey amount to \$146,848,044.29, against which were liabilities of \$20,958,821.73; the value of the net assets, therefore, being \$125,889,222.56.

The value of assets of the International Harvester Corporation as of December 31st, 1917, amount to \$122,376,960.13, against which there are liabilities amounting to \$22,428,406.01, leaving the value of net assets \$99,948,554.12.

International Harvester Co., &c.—Approval of Merger and Consolidation.

The assets of the International Harvester Company of New Jersey were fairly accurately determinable. In the case of the International Harvester Corporation, however, this corporation doing a large foreign business, the assets of the corporation in Russia and in the countries of the Central Empire were and are not accurately determinable. Approximately \$13,000,000 were charged off last year as losses in Russia and Central Empire countries, and even after these were charged off assets were still left to the value of \$43,000,000 in these countries; of this sum about \$30,000,000 worth of assets are in Russia.

Because of the uncertainty of realizing the full value of the assets in these countries after the war, the Directors, in considering the value of the assets of International Harvester Corporation for the purpose of this merger assumed that one-half of the book value of assets in the Central Empire countries, Russia, &c., namely, \$43,367,197, would ultimately prove worthless, and be charged off, thus reducing the total net assets of the International Harvester Corporation by \$21,683,598, leaving the present net worth of said International Harvester Corporation at \$78,264,956. The amount required for par equivalent of preferred stock in each case would be \$30,000,000, leaving the balance of net assets available for common stock in the International Harvester Company of New Jersey, \$95,889,222, and the International Harvester Corporation, \$48,264,956. These assets bear the ratio one to the other of \$100 to 50.3. It was therefore unanimously determined by the Board of Directors of the respective corporations that as a basis for the merger, the division of stock by the terms of the merger agreement be made in the same ratio, namely, on the basis of two to one.

The exhibits presented were prepared in detail by William M. Reay, who is the comptroller in both corporations. He testified as to their accuracy.

We are satisfied that there are sufficient assets behind the securities proposed to be issued by the new corporation to conform with the requirements imposed by law, and that the terms of the merger agreement do not subject any security holder in either of the merging companies to an unfair or inequitable burden.

International Harvester Co., &c.—Approval of Merger and Consolidation.

In the year 1912, the Federal Government instituted suit against the International Harvester Company, alleging it to be a trust. The two companies now seeking to merge then existed as a single company. The foreign business of the then existing company was not attacked by the Government; the directors of the company fearing that the borrowing capacity of the company would be injured by the suit by the Government, the two companies in the present proceeding were then formed in the year 1913. The International Harvester Corporation acquired the assets that related to new lines of merchandise, and the foreign business, which were not then under attack by the Government; they being segregated from the other lines of merchandise which were under attack. The effect of this division was intended to conserve the foreign credit of the company. Since the war, however, this foreign credit has been impaired, and the loss in foreign business fell entirely upon the corporation. Dividends were paid on the common stock of the Harvester Corporation until the commencement of the war. Since then none have been paid.

Mr. Bancroft, general counsel of the company, testified in detail as to the status of the Government suit. It appears that an adjustment thereof has been made. In response to a request by counsel for the Board, the agreement between the Government and the company for the adjustment of the case was presented and offered in evidence by counsel for the Board.

An examination of the terms thereof satisfied the Board that this suit as adjusted does not bar the right of the International Harvester Company of New Jersey from merging with the International Harvester Corporation.

We are of the opinion that the merger will accomplish greater efficiency and economy in the management and is for the general welfare of both companies. We, therefore, approve of the agreement of merger made by the International Harvester Company of New Jersey and International Harvester Corporation, dated July 26th, 1918, as submitted.

Dated September 18th, 1918.

City of Bayonne vs. New York and New Jersey Water Co.

No. 619.

CITY OF BAYONNE.

vs.

NEW YORK AND NEW JERSEY WATER COMPANY.

Following a finding by the Board on a complaint of the city of Bayonne that the New York and New Jersey Water Company should construct an additional 18-inch pipe line, application, in which the city joined, was made not to issue an order in conformity with the finding on the ground that the city had arranged for the purchase of the water company's plant, and that to impose the order on the water company under the circumstances would place an additional burden on the city. *Held—*

The relief planned by the Board was only temporary. The city, as owner of the plant, will make permanent improvements to insure safe, adequate and proper service. No order should be issued.

SUPPLEMENTAL REPORT.

Gilbert Collins, for City of Bayonne.

Robert H. McCarter, for New York and New Jersey Water Company.

Alfred Brenner, for James T. Brady and others.

On June 29th, 1918, the Board made a report in which it set forth that an order would issue directed to the New York and New Jersey Water Company, to construct forthwith an additional 18-inch pipe line under the Hackensack River, and that it would hold a further hearing to ascertain what relief would be necessary for the construction of a permanent trunk line of the water company to assure the City of Bayonne a safe, adequate and proper water supply.

City of Bayonne vs. New York and New Jersey Water Co.

Prior to the making of said report, and while the proceedings were pending, the municipal authorities, on the 3d day of May, 1918, passed an ordinance authorizing the purchase of the plant, lands, buildings, right of way, pipe line, contracts and easements of the water company; which pipe lines were used for supplying water to the City of Bayonne. Application was made to our Supreme Court at the instance of James T. Brady, a property owner of the City of Bayonne, for a certiorari of the said ordinance. At the time of filing our original report in the matter the application for said certiorari had not been determined.

On July 15th last, the court denied the application.

Between the time of filing the said report and before any order was made pursuant thereto, a request was made by the water company and the city for a conference with the Board, the subject-matter of which was to be the suspension of any order until the determination by the Supreme Court of the application hereinabove referred to. Such conference was held at Newark and both the municipality and the water company were represented by counsel. Mr. Brady was also represented by counsel, who announced that he appeared not alone for Mr. Brady, but for other property owners.

The said conference was held subsequent to the determination, by the Supreme Court, of the application for certiorari, and it was represented on behalf of the city, that in addition to the proceeding brought in the Supreme Court, other proceedings had been instituted in the Court of Chancery for an injunction to restrain the purchase of the water company plant, and that the injunction had been denied by the said Court of Chancery; the Supreme Court had denied the certiorari; that application had been made by the city to the Federal authorities for leave to issue the bonds provided to be issued in the ordinance. The city maintained that to impose the order on the water company, under the circumstances, would place an additional burden upon it, as under its contract it would be obligated to reimburse the water company for the improvement. The relief planned by the Board was only temporary. The city, as the owner of the plant, will make permanent improvements to insure safe, adequate and proper service, rather than a temporary service.

Westville and Newbold Water Co.—Increased Rates.

We conclude, therefore, that no order should be issued by the Board. The authorities of the City of Bayonne have, by ordinance, authorized the purchase of the plant of the water company, and is now the owner thereof. It can make the permanent necessary improvements, and will, presumably, do so.

We, therefore, supplement our former report and will vacate that part thereof which orders the construction of an 18-inch pipe line under the Hackensack River.

Dated September 19th, 1918.

No. 620.

APPLICATION OF THE WESTVILLE AND NEWBOLD WATER COMPANY IN RE INCREASED RATES.

1. In fixing rates to be charged by a water company the reproduction cost new of tangible fixed capital is taken at \$66,342. The full amount of accrued depreciation is allowed and in addition thereto \$5,000 to cover organization development cost and other intangibles.

2. Where the rules of the company provide for payments in advance an allowance for working capital of three per cent. of the appraised value of the physical property is held to be sufficient.

3. Of the total value for tangible and intangible property of \$73,342 taken as a basis for rates 26 per cent. is allocated to fire service.

4. The sum of \$1,000 is taken as being sufficient to provide for annual depreciation.

5. Service charges varying for different sizes of meters are fixed for metered customers. For water actually used a charge of 25 cents per 1,000 gallons is to be made.

6. A charge of nine-tenths of a cent per inch diameter per foot of main for fire service is fixed applicable to all distribution mains as of April 1, 1918, and to six-inch mains and larger laid in the future and to only such short lengths of four-inch laterals as will provide 30 pounds pressure at the hose connection.

7. A charge of \$7.50 per annum is fixed for each hydrant in service on April 1, 1918, and \$7.50 for each hydrant which may be added hereafter.

J. Fithian Tatem, for the company.

John Boyd Avis, for the Borough of Westville.

Westville and Newbold Water Co.—Increased Rates.

Exhibit "A" of the petition sets forth the following schedule of rates now effective:

"Metered Service."

	Annual Minimum Charge.	Rate per 1,000 Gallons.	Yearly Consumption Allowed.
	\$12.00	25c.	48,000
Churches	12.00	15c.	80,000

"The annual minimum charge will apply for service to a single customer. Customer being defined in section two of these rules.

"One-quarter of the yearly minimum charge is payable quarterly in advance.

"Fire Service."

"Fire hydrant charge, \$25.00 each per year.

"Contracts for fire service will be made for a period of not less than five years.

"The bills for fire service are payable quarterly in advance."

The other rates named in the petition now effective are not affected by the proposed increase in rates.

The new schedule of rates, approval of which is sought, is as follows:

"One-half or 5/8-inch meters—\$3.00 per quarter, for which the use of 6,250 gallons of water will be allowed. All water used in excess of 6,250 gallons per quarter will be charged for at the following rates:

For the next 18,750 gallons used within the quarter.....	40c. per M. gals.
For the next 25,000 gallons used within the quarter.....	35c. per M. gals.
For the next 25,000 gallons used within the quarter.....	30c. per M. gals.
For all over 75,000 gallons used within the quarter.....	25c. per M. gals.

"For meters larger than 5/8-inch fixed service charges as follows will be made:

3/4-inch meter	\$2.70 per quarter.
1-inch meter	5.40 per quarter.
1 1/2-inch meter	10.80 per quarter.
2-inch meter	18.00 per quarter.
3-inch meter	45.00 per quarter.
4-inch meter	63.00 per quarter.
6-inch meter	120.00 per quarter.

"Those charges do not include any water.

"In addition to the above fixed service charges, water actually consumed will be charged for at the following rates:

Westville and Newbold Water Co.—Increased Rates.

For the first 50,000 gallons used within the quarter.....35 cents per M. gals.
 For the next 25,000 gallons used within the quarter.....30 cents per M. gals.
 For all over 75,000 gallons used within the quarter.....25 cents per M. gals.

“Quarterly minimum and fixed service charges are payable quarterly in advance.

“Fire Protection Rates—Fixed Charge to Municipalities.

“One and two-thirds of a cent (subsequently changed to read one and one-half) per inch-foot of water mains 4 inches in diameter and larger. (By inch-foot is meant the product of the length of a main by the nominal diameter in inches, 1 foot of 6-inch main equal to 6 inch-feet.)

“The total number of inch-foot of mains applicable to fire protection to be determined quarterly and bills rendered therefor will be payable in advance.

“Fire Hydrant Charges—Public or Private.

“For each hydrant in service—\$7.50 per year, payable quarterly in advance.”

Briefs were filed on July 31st, 1918.

I. VALUE OF TANGIBLE FIXED CAPITAL USED AND USEFUL.

In the first paragraph of its petition, the company sets up the following as the investment cost of its plant, viz.:

The investment in physical plant on December 31, 1917, was.....	\$74,708.64
The operating deficits to December 31, 1917, were.....	22,320.60
Working capital—	
Accounts receivable	\$3,172.94
Supplies (operation)	124.67
Cash	134.40
	<hr/>
	3,432.01
	<hr/>
Total investment	\$100,461.25

The evidence shows that \$100,000 of common stock, offset by book assets of equal amount, was issued without cash consideration. The report of the petitioner to this Board as of December 31st, 1917, however, states that the cost of the physical property at June 30th, 1917, was \$67,343.69. Additions of \$27.51 made during the last half of the year would indicate a total book value of \$67,371.20 (excluding bond discount capitalized by the company).

Westville and Newbold Water Co.—Increased Rates.

During the hearing the company presented Mr. A. H. Kneen as its expert witness. He submitted in evidence an appraisal showing the "estimated cost of complete plant under normal prices." His total for fixed capital, cost to reproduce, is \$66,342, to which he added \$587 for supplies and tools and \$730 for organization, making a grand total of \$67,659. His summary is shown in Appendix I.

With respect to certain additions to the cost of labor and material, Mr. Kneen, in answer to cross-examination, testified as follows:

"Q. You have also fixed certain percentages for overhead expenses percentage for costs of materials and labor. Can you tell me what that estimated percentage represents?

"A. That represents the contractor's percentage on the cost to him of the material installed."

And in answer to the question:

"Q. Is it not a fact that the percentage or cost of materials and labor as you noted in this report on page 1 includes superintendence and interest during construction?

"A. Not in my judgment. I should say no."

In explaining the method of preparing this appraisal on page 46 of the testimony, Mr. Kneen made the following statement:

"I took the same unit prices, where possible, that we used in the valuation of the Clayton and Glassboro Water Company's plant by the engineer of the Commission as the two plants are very similar in construction and the conditions are practically the same."

In the latter valuation made by the Board's engineers the various overhead percentages used were substantially those used by Mr. Kneen in his summary, and these overheads as used by the Board's engineer were to cover errors and omissions, engineering and superintendence, interest and taxes during construction and in part contractor's profit. If Mr. Kneen's overheads do not include these items, but the contractor's profit only, as stated by him, they are excessive and cannot be accepted. As they appear to be fair overheads, however, as used by the Board's engineer, they will be allowed to stand. Mr. Kneen estimated that the ac-

Westville and Newbold Water Co.—Increased Rates.

crued depreciation on plant and property amounted to \$15,783, leaving a present value of \$51,876.

The objectors presented Mr. W. DeWitt Vosbury as their expert witness. He accepted as fair Mr. Kneen's value of \$67,659 as the cost to reproduce, but objected to Mr. Kneen's interpretation of his overhead percentages hereinabove referred to, stating that these are ample to include insurance, engineering and supervision and interest and taxes during construction. He estimated the accrued depreciation, however, at \$19,957, leaving the present value \$47,702, which he took at the round figure of \$48,000.

The Board determines that the reproduction cost new of the tangible fixed capital of the company as of April 1st, 1918, was \$66,342.

II. VALUE OF INTANGIBLE FIXED CAPITAL.

In its petition the company asks in addition to its unearned depreciation of \$15,783, an intangible value of \$22,320.60, this being the book value of its operating deficits on December 31st, 1917. In its brief it deducts the book value of the reserve for depreciation, leaving a net amount of \$18,063.84. The sum of these two items would be \$33,846.84.

The objectors' expert, however, calculates the intangible value to which, in his opinion, the company is entitled, as follows:

First, he allows nothing for the unearned depreciation shown by him to amount to \$19,957.

Second, he allows as intangible value the operating deficits, which he calculates to have occurred during a development period of five years as taken by him, determined as follows:

He calculates the revenue deductions as follows: He takes 4½% on plant investment shown by the petitioner in its Exhibit P-2, for the years 1898 to 1902, inclusive, and adds thereto the operating expenses and taxes shown on said exhibit and \$665 a year as an appropriation towards depreciation reserve. From the sum of these items he deducts the gross revenue from 1898 to 1902, inclusive, as shown on Exhibit P-2, and arrives at the total deficit "chargeable to development" of \$11,725, which is his total allowance for intangible capital.

Westville and Newbold Water Co.—Increased Rates.

The Board does not agree with either of these estimates for the following reasons: First, the Board has heretofore announced that the amount of intangible capital should bear a proper relation to the tangible or fixed value. The company claims intangible value of \$33,846 against a present value of \$51,876, which is in excess of 65% of the present value of the tangible property. Second, the objectors, on the other hand, give too low a figure in that they take no account of the fact that the company was limited to charging rates which should not exceed the value of the service, regardless of the cost and of the further fact that the development period of the company is not necessarily limited to the first five years of its existence. Third, in its amended petition the company asks leave to charge the sum of \$3,441.70 for the fire service now furnished through 36 fire hydrants. The objectors' attorney, in his brief, calculated that this fire charge should be \$2,486.63, the average of these two being about \$2,964 per annum. During the seven years which the company has been reporting to the Board, the revenue from fire service averaged \$710 per annum. This would indicate that the company has undercharged the Borough of Westville on this basis \$2,254 a year. If we take only one-half of this annual loss during the period of twenty years the total loss would amount to upwards of \$22,000. This indicates that most of the deficit has arisen with respect to fire service rather than metered service. The company has not been limited by franchises with respect to maximum rates to be charged for fire service, but has voluntarily contracted with the borough periodically during the past years. It does not appear proper, then, to allow the company at this time of stress, when people are already burdened by the high cost of living and increasing taxes to capitalize an excessive amount of these deficits incurred very largely through its voluntary act in charging fire rates far below the cost of rendering the service. In view of the fact that the plant has been devoted to the service of this residential community where a great deal of the property does not change hands frequently, it appears proper that its investment in plant should be preserved intact by allowing the full amount of its accrued depreciation, and in addition thereto an amount of \$5,000 to cover organization, development cost and other intangibles.

Westville and Newbold Water Co.—Increased Rates.

III. WORKING CAPITAL.

The company asks for a working capital of \$3,432.01, this being the amount claimed in its original petition, as hereinabove set forth.

Its schedules of rates, however, provide that the minimum charges for metered service and that its annual charge for fire service shall be payable quarterly in advance and that bills for other purposes shall be secured by a reasonable advance payment. Its rules, in section 5, provide that: "If a bill remains unpaid for a period of over 15 days after mailing or presentation, notice will be served or mailed that, unless the bill is paid within seven days from date of such notice, the water supply will be discontinued." If these rules are enforced, 90% of the revenue of the company should be paid within 22 days after presentation of the bills and the company should have the use of the money during the remaining period of 78 days during each quarter. In view of this rule it does not appear reasonable to allow the company as a part of its working capital the item of \$3,172.94 for accounts receivable, especially as this is not offset by the corresponding item of accounts payable.

The Board will allow for working capital the amount of \$2,000, being approximately 3% of the appraised value of the physical property.

IV. TOTAL VALUE OF PROPERTY, TANGIBLE AND INTANGIBLE, AS A BASIS FOR RATES.

In Table I, following, we bring together the several classes of capital as hereinabove determined.

Westville and Newbold Water Co.—Increased Rates.

TABLE I.

Total Value of Property, Tangible and Intangible.

	Total.	— Allocated to —	
		Domestic Use.	Fire Use.
Fixed capital reproduction cost new.....	\$66,342	.....	.....
Development cost and other intangibles.....	5,000	.....	.....
Total fixed capital	\$71,342	.....	.....
Working capital	2,000	.....	.....
Total value as a basis for rates.....	\$73,342	\$54,273	\$19,069

In Table I, 26% of the value is allocated to fire service as compared with 28.6% in the Clayton-Glassboro Water Company, cited by the petitioner. In the latter case the long transmission main connecting the two towns involved a charge for fire purposes which is not to be provided for in the instant case. For that reason the percentage in this case is lower.

V. ANNUAL DEPRECIATION.

The company, in its original petition, charged \$673 as appropriation for amortization of capital (depreciation) in the year 1917, although its average appropriation for the four years preceding was \$890. The objectors claim that \$665 per annum is sufficient for this, this being based on the hypothesis that \$665 improved at 3% interest per annum will amount to \$50,000 in 40 years, this being assumed to be the composite life of the plant based on the sinking fund method. This is the amount determined by Mr. Vosbury for use for the years 1898 to 1902. The plant, which has to be replaced, however, cost new \$66,342, and allowing accrued depreciation as an intangible, would require the replacement of \$66,342 at normal costs (not now obtaining) so that a figure of \$665, even on a sinking fund basis, should be increased by a third to replace \$66,342 in 40 years.

The Board will take the figure of \$1,000 a year as being sufficient, under existing circumstances, to provide for the annual accruing depreciation.

Westville and Newbold Water Co.—Increased Rates.

VI. OPERATING EXPENSES.

Appendix II is a table showing the operating expenses averaged for the four years from 1913 to 1916, inclusive, and for the year 1917 and also for the year 1918, as taken by the Board. In these operating expenses is shown under V appropriation for amortization (depreciation). The grand total for all classes of service is \$5,344, of which \$1,083 is allocated to fire protection, this latter amount including \$240 for appropriation for amortization.

It will be noted that in operating expenses the pumping or water supply expenses have increased very little during the last five years, whereas general and miscellaneous expenses, which are usually considered overhead expenses to a large degree, have increased over 50%, exclusive of amortization or depreciation appropriation.

VII. REVENUE REQUIRED TO PAY 6% ON THE VALUE HEREIN DETERMINED.

(Allocated to Classes of Service.)

The elements constituting the total revenue to which the company is entitled in order to earn 6% interest on the value hereinabove determined will now be assembled in Table II.

TABLE II.

Revenue Required to Pay Six Per Cent. on Value (Allocated to Classes of Service).

		— Allocated to —	
	Total.	Domestic Service.	Fire Service.
Value as a basis for rates	\$73.342	\$54,273	\$19.069
Six per cent. on value	4,401	3,257	1,144
Operating expenses, taxes and depreciation..	5,344	4,261	1,083
Total revenue	\$9,745	\$7,518	\$2,227
Less miscellaneous revenues—Rents	—180*	—135*	—45*
Turn-ons, etc..	—100*	—110*	.....
Revenue required from sale of water.....	\$9,465	\$7,273	\$2,182
Revenue from 36 hydrants at \$7.50 each.....			270
Fire service allocated to existing mains.....			\$1,912
Per inch-foot of mains (total 215,870 inch-feet)			\$0.009

*Deduct.

Westville and Newbold Water Co.—Increased Rates.

Domestic Service.

An inspection of Table II indicates that a revenue of \$7,273 is required from domestic service which corresponds substantially to an amount of \$7,236 received from this class of service in 1917. The cost of materials and labor, however, are increasing; the allowance of 48,000 gallons of water per year for the minimum rate of \$12 is larger than the average family will use without waste in a residential section such as the community served by this company. In order to provide for the contingency of these increasing costs it seems wise that the amount of water allowed for the minimum bill shall be reduced to 36,000 gallons per year.

Fire Service.

Table II indicates that the fire service on the basis of the present installation should pay \$2,182 a year. If the cost for the use of capital, for operating expenses, depreciation and maintenance be taken at \$7.50 for each hydrant installed, this would indicate a revenue of \$270 for 36 hydrants which, deducted from the total revenue of \$2,182, to be derived from the fire service, leaves the amount of \$1,912 to be allocated to the existing system of mains. As the amended petition shows that the total number of inch-feet of mains 4 inches and upwards in diameter is 215,870 inch feet, the cost per inch-foot of main would be, in dollars, \$0.009. This charge of \$0.009 per inch-foot of mains would be applied likewise to all mains hereafter installed, which will produce a pressure at the hydrant of 30 pounds per square inch, with a fire stream flowing. New hydrants are to be installed at the price of \$7.50, independent of the revenue to be derived from the mains as such.

In this connection it might be well to note that on the existing system of mains, 40,015 feet in length, there are only 36 fire hydrants, which indicates an average spacing of about 1,100 feet between hydrants. In order to secure a nozzle pressure of 20 pounds with a discharge of 167 gallons per minute (a small fire stream), using 2½-inch rubber-lined hose and 1⅛ smooth nozzle, the following pressures at the hydrant are required for the various lengths of hose, viz.:

Westville and Newbold Water Co.—Increased Rates.

100 feet of hose, 28 pounds at the hydrant connection.
 200 feet of hose, 35 pounds at the hydrant connection.
 300 feet of hose, 42 pounds at the hydrant connection.
 400 feet of hose, 49 pounds at the hydrant connection.
 500 feet of hose, 56 pounds at the hydrant connection.

The standpipe or tank of the company being placed at approximately 100 feet elevation will give an initial pressure of but 43 pounds to the square inch. When water is flowing there will be a friction in the pipes to decrease this pressure. The fire department officials can see from the above figures how weak a stream will be thrown through 500 feet of 2½-inch rubber-lined hose. In order to secure 20 pounds at the nozzle the discharge will be considerably less than 167 gallons in the greater portion of Westville when using a 500-foot length of hose, as the initial pressure is not the 56 pounds required to give 20 pounds pressure on 157 gallons per minute discharge. This indicates that the hydrants, in order to give medium fire service, should not be spaced over 500 feet apart. If 500 feet be taken as a spacing, this would indicate 80 hydrants, an excess of 44 hydrants over those now installed. These hydrants, on the basis of the above rates, will cost an additional sum of \$330 and would reduce the average price per hydrant to about \$31 each.

The Board therefore finds and determines the following to be a just and reasonable schedule of rates for this company:

1. (A) RATES FOR METERED SERVICE.

For water served through ½-inch or ⅝-inch meters, \$3 per quarter, for which the use of 9,000 gallons will be allowed; all water used in excess of 9,000 gallons will be charged for at the rate of 25 cents per thousand gallons.

For meters larger than ⅝-inch, a fixed service charge for each meter will be as follows:

¾-inch....	\$2.70	2-inch....	\$18.00	4-inch....	\$63.00
1-inch....	5.40	3-inch....	45.00	6-inch....	120.00
½-inch....	10.80				

Westville and Newbold Water Co.—Increased Rates.

These charges do not include water. In addition to the above fixed service charges, water actually consumed will be charged for at 25 cents per 1,000 gallons.

Quarterly minimum and fixed service charges are payable quarterly in advance.

(B) FIRE HYDRANTS.

The rates for fire protection are made up of two parts, a fixed charge, based on the fire mains in use, and a charge for each hydrant.

(1) *Fixed Charge.* Nine-tenths of a cent per inch diameter per foot of mains, applicable to all distribution mains, as shown in this report, as of April 1st, 1918, and to 6-inch mains and larger laid in future, and to only such short lengths of 4-inch laterals as will provide 30 pounds pressure at the hose connection. The total number of inch feet of mains applicable to fire protection is to be determined quarterly and bills rendered therefor will be payable in advance.

(2) *Hydrant Charge.* Public or Private. Seven dollars and fifty cents per annum for each hydrant in service on April 1st, 1918, and \$7.50 for each hydrant which may be added thereafter.

2. The petition will be dismissed with leave to the company to file the schedule of rates herein determined by the Board to be just and reasonable.

Dated September 19th, 1918.

Westville and Newbold Water Co.—Increased Rates.

APPENDIX I.
WESTVILLE-NEWBOLD WATER COMPANY.
Estimated Cost of Complete Plant Under Normal Prices.

Subject.—Summary.		Overhead Exp.			Scrap Value.	Service Value.	Depreciation.		Present Value.
Sheet No.	Items.	Cost of Labor and Material.	Per Cent. Cost	Mat. & Labor. Amount.			Per Cent.	Amount.	
2	Wells	\$1,070	15	\$161	\$1,231	\$123	62.7	\$694	\$537
3 & 4	Gravity intake and suction mains	94	15	16	110	...	58.8	65	45
5 & 6	Pumping station	2,035	14.1	302	2,337	...	18.9	441	1,896
7	Pumping equipment	3,182	15	479	3,661	181	73.1	2,544	1,117
8 & 9	Standpipe	6,098	13.75	913	7,011	173	19.8	1,345	5,666
10 & 11	Distributing mains and accessories	30,267	15	4,540	34,807	...	22.0	6,013	28,794
12	Service pipes and stops	4,074	15	611	4,685	...	22.0	1,030	3,655
13 & 14	Motors, meter boxes, etc.	6,450	15	968	7,418	442	25.	1,744	5,674
15	Fire hydrants	1,642	15	247	1,889	...	30.	560	1,329
5 & 6	General structures	2,483	14.1	367	2,850	...	43.7	1,244	1,606
16	General equipment	312	10	31	343	...	30.0	103	240
	Misc. const. exp.	Included in overhead allowance.							
	Totals	\$57,707	.....	\$8,635	\$66,342	\$919	....	\$15,783	\$50,559
17	Supplies and tools	510	.....	77	587	...	....	.....	587
	Total	\$58,217	.....	\$8,712	\$66,929	...	....	.....	\$51,146
	Organization .....	.....	.....	.....	730	...	....	.....	730
	Grand total	\$58,217	.....	\$8,712	\$67,659	\$919	....	\$15,783	\$51,876

Westville and Newbold Water Co.—Increased Rates.

APPENDIX II.

WESTVILLE-NEWBOLD WATER COMPANY.

Operating Expenses, Actual and Estimated, for 1918.

Ref.		(1)	(2)	(3)	(4)
P. U. C.		Four-year	Year	As	Allocated
Acc.	Items of Expense.	Average—	1917.	Taken	to Fire
Nos.		1913-16.		for	Protec-
				1918.	tion.
403-4	I. Water supply expenses,	\$973	\$1,077	\$1,077	\$199
405-9	II. Maintenance expenses				
	(omitting account				
	410, below)	563	566	566	116
411	General & miscellaneous				
	administration	412	878	500	125
412	Accounting and com-				
	mercial	690	827	800	48
414	Legal	3	....	....	....
416	Insurance	52	61	61	12
420-1	Miscellaneous less ad-				
	justments	24	40	40	8
	III. Total general and mis-				
	cellaneous	\$1,181	\$1,806	\$1,401	\$203
	Subtotal	\$2,717	\$3,449	\$3,044	\$518
	IV. Taxes	890	1,268	1,300	325
	Total deductions (omit-				
	ting account 410) . . .	\$3,607	\$4,717	\$4,344	\$843
410	V. Appropriation for amort-				
	ization (depreciation),	890	673	1,000	240
	Total revenue deduc-				
	tions	\$4,502	\$5,370	\$5,344	\$1,083
	Deductions per M. gal.				
	sold	\$0.205	\$0.270		
	Deductions per meter..	6.68	8.45		
	Water sold, M. gallons,	17,597	17,470		

Trenton and Mercer County Traction Corporation—Increased Rates.

No. 621.

IN THE MATTER OF THE APPLICATION OF THE TRENTON AND
MERCER COUNTY TRACTION CORPORATION FOR INCREASED
RATES OF FARE.

Application is made by a street railway for approval of increased fare. Testimony shows a large and growing deficit after meeting operating expenses and fixed charges. *Held—*

In the present emergency the Board will not under these trying circumstances, determine from the record either the total amount of property on which the petitioner is entitled to fair return, nor the rate of return applicable to said property, nor whether the fixed charges are properly related to such fair return under normal conditions, but will base its conclusions in this matter upon the exigencies of the times and afford such relief as is necessary to permit the company to continue service. When the present emergency shall have passed the Board will resume consideration of the case.

F. S. Katzenbach and *E. M. Hunt*, for the petitioner.

George L. Record and *C. E. Bird*, for the City of Trenton.

H. T. Satterthwaite, for Lawrence Township.

Alvin W. Sykes, for Hamilton Township.

C. R. Ruhlman, for Pennington.

E. C. Long, for Hopewell Township.

The petition alleges:

That the petitioner is a public utility corporation, duly organized under the laws of the State of New Jersey, and is the lessee of the properties of the Trenton Street Railway Company, the Mercer County Traction Company, the Trenton, Pennington and Hopewell Street Railway Company, and the Trenton, Hamilton and Ewing Traction Company, under leases dated October 15th, 1910, duly approved as being in the public interest by the Board

Trenton and Mercer County Traction Corporation—Increased Rates.

of Public Utility Commissioners of the State of New Jersey by orders dated March 24th, 1911.

That the petitioner is now engaged in transporting passengers for hire in the following municipalities in this State, namely, the City of Trenton, the Townships of Ewing, Princeton, Hamilton and Hopewell, and the Boroughs of Princeton, Pennington and Hopewell, all in the County of Mercer.

That the company gave due notice in the newspapers of Trenton of its intention to increase its fares by application to this Board for permission so to do.

That the petitioner desires and proposes to increase the rate of fare for the transportation of each single passenger over the age of five years within the City of Trenton, and likewise for the transportation of each single passenger over the age of five years in each of the fare zones on the suburban lines operated by the petitioner from five cents to six cents, and also to discontinue on all lines operated by it the sale of six tickets for twenty-five cents.

That the reason for the proposed increase is the need of additional revenue by the petitioner to meet (a) the increased costs of labor and materials required for the operation of said properties and necessary for the maintenance of way and structures, for the annual replacement of such property as has reached the end of its useful life; (b) increased taxes, and (c) decreasing revenues, all of which is more particularly shown in exhibits annexed to the petition.

That the petitioner has shown from the exhibits referred to in or attached to the petition that gross revenue from all sources at the present rate of fare for the year 1918 will not amount to more than \$827,004.98, and will exceed the gross revenue for the year 1914, which was \$776,548.46, by \$50,456.52.

That the total operating expenses, expenditures for maintenance and replacement and assessed taxes for 1918 will amount to \$688,381.14, and will exceed the expenditures made in 1914 for the same purpose, which were \$497,941.71, by \$190,438.43.

That the statement marked "Exhibit G" attached to the petition shows the annual wages paid during each of the years from 1914 to 1917, inclusive, with estimated wages paid in each department for the year 1918.

Trenton and Mercer County Traction Corporation—Increased Rates.

That the estimate for the year 1918 was arrived at by taking the authorized number of employes in each department from the grade of superintendent down, on April 15th, 1918, and applying to them the wages paid on April 15th, 1918, for the total working days in 1918, with the exception of the statement covering wages paid to motormen and conductors. In the latter case the rate of wages paid by the petitioner to motormen and conductors in April, 1918, was applied to the number of car hours operated during 1917. This statement shows that the total wages to be paid to all employes from the rank of superintendent down for the year 1918 amounted to \$402,244.33, and exceeded the amount of wages paid in 1914, which was \$293,157.96, by \$109,086.37.

That in case this appeal of the petitioner is granted for an increase in the fare charged for transportation of passengers, it is the desire of the petitioner to further increase the amount to be set aside annually for depreciation fund by \$25,000, making the total annual appropriation for this purpose \$175,000.

That "it is the desire of the petitioner, in case revenues are sufficiently increased by your granting the increase in the rate of fare herein applied for, to increase wages paid, particularly to motormen and conductors and to certain other employes up to the rank of superintendent, to the extent of \$20,000, by which the annual amount at present needed to meet pay roll expenditures will be increased by increasing the wages of certain employes below the rank of superintendent, especially motormen and conductors, in order that the standard of wages may be more nearly that of those with whom it must compete in engaging employes." (Testimony was given that the increase already granted would aggregate \$55,000, or \$35,000 more than the \$20,000 alleged in the petition to be in contemplation.)

That during the year 1917 the expenditures of the petitioner exceeded its revenue by the sum of \$77,417.97; estimating receipts of the petitioner for the year 1918, based upon the receipts for the first quarter of said calendar year, and basing the costs of operation upon present prices being paid for labor and materials, the deficit for the year 1918 will be \$212,160.12, as shown by exhibits hereinbefore referred to. With the contemplated addi-

Trenton and Mercer County Traction Corporation—Increased Rates.

tions to capital expenditures, to depreciation appropriation and to wages indicated above, this deficit would be further increased for the year 1918 by \$85,000, making the total deficit for the year 1918 at the present rate of fare, in case the additional expenditures are to be made, \$297,160.12.

That the cost of all materials and labor required by the petitioner in the conduct of its business has increased by a large percentage over the cost of similar materials during previous years.

That the conditions giving rise to such increased costs still exist and such costs will continue to increase in the year 1918 over present costs.

That, allowing 10% decrease in the number of passengers to be carried during the next twelve months under those riding at the present rate of fare, due to the proposed increase in rate of fare to six cents, the increase in revenue from transportation of passengers over the amount being received during the year 1918, at present rate of fare, will be \$201,194.27.

Numerous hearings were held in the matter, beginning June 3d, and the case was argued on July 9th.

The Public Utility Statute provides that after this Board shall have considered an application for increase in fares "it shall be the duty of said Board to approve any such increase, change or alteration upon being *satisfied* that the same is just and reasonable."

In normal times the criterion of reasonableness of any proposed schedule of rates is that it should be sufficient to secure a fair return on the fair value of the property devoted to the use of the public provided the amount of any particular rate does not exceed the value of the service rendered. But these are abnormal times, and the standards which may be reasonable in normal times may, if rigidly applied under war conditions now existing, result in a curtailment or entire suspension of the service of this utility just at the time when the National Government is exerting every effort to co-ordinate and strengthen all agencies employed in winning the war, not the least important of which are the street railway systems transporting citizens from home to place of employment.

Trenton and Mercer County Traction Corporation—Increased Rates.

As an indication, during the abnormal conditions now existing, of the necessity of prompt emergency relief to keep the petitioner functioning, we will quote the language used by the National War Labor Board in its award in the Cleveland case:

“We have recommended to the President that special congressional legislation be enacted to enable some executive agency of the Federal Government to consider the very perilous financial condition of this and other electric street railways of the country, and raise fares in each case in which the circumstances require it. We believe it to be a war necessity justifying Federal interference. Should this be deemed unwise, however, we urge upon the local authorities and the people of the locality the pressing need for such an increase adequate to meet the added cost of operation.

“This is not a question turning on the history of the relations between the local street railways and the municipalities in which they operate. The just claim for an increase in fares does not rest upon any right to a dividend upon capital long invested in the enterprise. *The increase in fare must be given because of the immediate pressure for money receipts now to keep the street railways running so that they may meet the local and national demand for their service.* Over capitalization, corrupt methods, exorbitant dividends in the past are not relevant to the question of policy in the present exigency. In justice the public should pay an adequate war compensation for a service which cannot be rendered except for war prices. The credit of these companies in floating bonds is gone. Their ability to borrow on short notes is most limited. In the face of added expenses which this and other awards of needed and fair compensation to their employes will involve, such credit will completely disappear. Bankruptcy, receiverships, and demoralization, with failure of service, must be the result. Hence our urgent recommendation on this head.”

The Board has considered all the evidence and exhibits not only in the present case, but in the so-called strip-ticket case, and the preceding cases, which have been made a part of this record.

Trenton and Mercer County Traction Corporation—Increased Rates.

Exhibit P-2 has been prepared by the company to show its estimates of the results of operation for the year 1918. That portion of this exhibit relating to 1917 and 1918 is given in Table I following:

TABLE I.

TRENTON AND MERCER COUNTY TRACTION CORPORATION.
RESULTS OF OPERATION.
Ex. P-2.

	<i>Year 1917.</i>	<i>Estimate for Year 1918.</i>
Revenue from transportation	\$866,103.33	\$814,137.13
Revenue from operation other than transportation....	7,981.54	8,107.85
	<hr/>	<hr/>
Total operating revenues	\$874,084.87	\$822,244.98
	=====	=====
Operating expenses exclusive of depreciation expendi- tures and taxes	\$404,754.79	\$450,388.53
Depreciation expenditures	130,753.44	150,000.00
Taxes assessed	87,992.61	87,992.61
	<hr/>	<hr/>
Total operating expenses and taxes	\$623,500.84	\$688,381.14
	=====	=====
Net operating income	\$250,584.03	\$123,863.84
Non-operating income	6,472.96	4,760.00
	<hr/>	<hr/>
Gross corporate income	\$257,056.99	\$138,623.84
Income deductions (income on funded debt, rentals, amortization bond discount)	308,245.91	318,554.91
	<hr/>	<hr/>
Deficit	\$51,188.92	\$179,931.07
Cash payments on equipment notes and on new cars purchased	10,000.00	16,000.00
	<hr/>	<hr/>
Deficit	\$61,188.92	\$195,931.07
Road and equipment and rehabilitation expenditures..	16,229.05	16,229.05
	<hr/>	<hr/>
Deficit	\$77,417.97	\$212,160.12
8 per cent. on \$500,000 additional capital		40,000.00
Increased depreciation fund		25,000.00
Increased wages of conductors and motormen		*20,000.00
Total deficit		\$297,160.12
Increase due to 6-cent fare for 12 months		\$201,194.27

*Original petition states \$20,000; testimony indicates that annual wages totaling \$55,000 have actually been allowed during the month of June.

Trenton and Mercer County Traction Corporation—Increased Rates.

In this exhibit the company includes, as if it were expenses to be provided during the current year, cash payments on notes and on new cars amounting to \$16,000, and \$40,000 for interest on \$500,000 of additional capital estimated to be required to put the company in perfect operating condition; it also includes \$25,000 increase in depreciation fund and \$20,000 which it proposes to add to the wages of conductors and motormen. As above noted, this \$20,000 item has increased to \$55,000 in the actual wage scale since granted to the men and now in operation. If the latter item be taken into consideration, the company's total deficit shown on Exhibit P-2 would be increased by \$35,000 to a total of \$332,160.12. A rigid analysis of this estimate would show a reduction of a considerable amount, but not a sufficient reduction to bring the total down to the \$201,194.27 which the company estimates would be produced by imposing a six-cent fare during a period of one calendar year.

In the present emergency the Board will not, under these trying circumstances, determine from the record either the total amount of property on which the petitioner is entitled to fair return nor the rate of return applicable to said property nor whether the fixed charges are properly related to such fair return under normal conditions, but will base its conclusions in this matter upon the exigencies of the times and afford such relief as is necessary to permit the company to continue service. When the present emergency shall have passed, the Board will resume the consideration of the case.

The Board therefore finds and determines:

1. That, in the present abnormal times, an emergency exists, and that in order to render the public continuous, safe, adequate and proper service, the Trenton and Mercer County Traction Corporation will be required to raise additional revenue to the amount of at least \$201,194 per annum, this being the amount estimated by the petitioner to be produced by the proposed tariff, and which estimate we find to be reasonably accurate.

Pending a final determination of the matter, the Board will permit the company to withdraw the sale of tickets at the rate of six for twenty-five cents and the flat cash fare of five cents, and to file in lieu thereof a war emergency tariff providing for a

Trenton and Mercer County Traction Corporation—Increased Rates.

flat fare of six cents in each existing zone for each passenger over five years of age, on the following conditions:

2. Acceptance by the company of the increase herein allowed will be taken as a stipulation that abrogation or modification of the war increase may be made as and if conditions as indicated by operating results warrant.

3. The company shall promptly file with the Board for each calendar month, beginning with the month of November, 1918, during which the emergency surcharge is added to its rate schedule, a complete comparative income statement for 1917 and 1918 of its operations, showing revenue and revenue deductions, classified in accordance with the uniform system of accounts for street or traction railway utilities (first issue) prescribed by this Board, together with mileage, traffic and miscellaneous statistics, as required on page 35 of the form of annual report now required to be filed by the Board.

4. The Board will retain jurisdiction of the emergency or war increase as herein approved for the purpose of modifying or abrogating same as and if the conditions change.

An order will accordingly issue.

Dated September 24th, 1918.

ORDER.

This matter having been duly heard, and the Board having this day made and filed a report stating its findings of fact and conclusions thereon, which report by reference thereto herein is made part hereof, hereby permits the company to withdraw the sale of tickets at the rate of six for twenty-five cents and the flat cash fare of five cents, and ORDERS FIXED as a just and reasonable charge to be imposed and followed on and after the effective date of this order by the Trenton and Mercer County Traction Corporation an emergency tariff providing for a flat fare of six cents in each existing zone for each passenger over five years of age; this charge to be collected by the said company only in the event that prior to October 15th, 1918, said company shall file said tariff and its acceptance thereof in writing upon the following conditions:

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That the said Trenton and Mercer County Traction Corporation shall file with this Board for each calendar month beginning with the month of November, 1918, during which the emergency surcharge is added to its rate schedule, a complete comparative income statement for 1917 and 1918 of its operations, showing revenue and revenue deductions classified in accordance with the uniform system of accounts for street or traction railway utilities (first issue) prescribed by this Board, together with mileage traffic and miscellaneous statistics as required on page 35 of the form of annual report now required to be filed by the Board.

This order shall become effective October 15th, 1918.

Dated September 24th, 1918.

No. 622.

CITY OF TRENTON

vs.

THE TRENTON AND MERCER COUNTY TRACTION CORPORATION.

1. Complaint is made of the service afforded by a street railway. Following hearing, the Board finds that the company does not furnish safe, adequate and proper service on all its lines and does not keep and maintain certain of its property and equipment in condition to enable it to do so.

2. Improvements in service and to track are required.

George L. Record and *Chas. E. Bird*, for the petitioner.

M. P. Devlin, for labor unions and various citizens.

Frank S. Katzenbach, Jr., and *E. M. Hunt*, for respondent company.

H. T. Satterthwaite, *Alvin W. Sykes*, *C. R. Ruhlman*, *J. C. Scudder* and *L. D. H. Gilmour*, for other respondents.

City of Trenton vs. Trenton and Mercer County Traction Corporation.

The petitioners in this proceeding allege that for many years they and their predecessors in office have been endeavoring to induce the Trenton and Mercer County Traction Corporation to render adequate and proper service to the people of Trenton in the matter of trolley transportation, and that said company has failed to furnish such service in the following particulars:

1. A large number of cars which are popularly termed "dinkies," are used by the Trenton and Mercer County Traction Corporation, which are unfit to be used by the citizens of Trenton.

2. During the rush hours the service is inadequate.

3. The cars operated by the Trenton and Mercer County Traction Corporation are not maintained in proper condition, resulting in frequent disablement of cars while in service.

4. The Trenton and Mercer County Traction Corporation lacks proper and adequate facilities for keeping its cars in proper repair.

5. Improper arrangement of tracks at crossings and terminals, resulting in frequent and unnecessary delays in service.

6. Improper routing of certain cars, particularly those operating into the rural districts, resulting in great loss to the Trenton and Mercer County Traction Corporation, which, in turn, results in inferior service rendered to the people of the City of Trenton.

7. Power is produced in a wasteful and needlessly expensive manner by reason of the lack of modern facilities and in operating furnaces.

The petition alleges further that the Townships of Ewing, Hamilton, Lawrence, Princeton, Hopewell, and the Boroughs of Princeton, Hopewell and Pennington, all in the County of Mercer, and the Public Service Railway Company, a New Jersey corporation, will be affected by the relief prayed for against the Trenton and Mercer County Traction Corporation, and said municipalities and corporation have therefore been made parties defendant to the petition.

Various measures of relief, covered by eighteen items, are prayed for in the petition.

It is alleged in the petition that service on certain of the lines passing into and through the rural districts which are made de-

City of Trenton *vs.* Trenton and Mercer County Traction Corporation.

endants in the petition, should be curtailed in certain of these districts and entirely abandoned in others. In their answers to the petition these respondents deny the necessity or any advantage to be gained by such curtailment or abandonment of service and claim that the same would be detrimental to the interests of the communities now being served. Cross petitions were filed in several instances, demanding the maintenance of the present service and in one instance demanding improved service.

The Trenton and Mercer County Traction Corporation, by its answer, admits that it operates the lines; that the service given in the rural districts has imposed a financial loss upon the company; that at times during the preceding three months (November 15th, 1917, to February 15th, 1918) the full schedule has not been maintained owing to the unprecedented severity of the weather, shortage of labor, difficulty of obtaining repair parts, and lack of car barn space and facilities for the making of repairs consequent upon a recent fire at the car barns; and that, due to the fire at the car barns December 14th, 1917, and abnormal weather conditions, cars were necessarily removed from service for repairs during the three months from November 15th, 1917, to February 15th, 1918, but denies all other allegations. The Trenton and Mercer County Traction Corporation alleges in its answer that its schedule provides a sufficient number of cars in rush hours to furnish adequate and proper service; that it does not know what is meant by the statement in the petition "that the tracks of the company are so arranged at crossings and at terminals as to create needless and constant delay in service," but admits that delays in service are experienced at points where its lines cross at grade numerous tracks of railway companies.

The Trenton and Mercer County Traction Corporation in its answer further denies that the Board of Public Utility Commissioners has power to order it to make the changes specified in the petition, which, it alleges, would require an outlay in excess of \$800,000, but states that if, after consideration, any of the suggested changes should be found to be such as would be advantageous to the people of the City of Trenton and the company, the company would be pleased to make such changes provided the Board of Public Utility Commissioners and the petitioners can

City of Trenton vs. Trenton and Mercer County Traction Corporation.

formulate any feasible plan for obtaining the resources necessary therefor.

Hearings were held in connection with this matter, at which the petitioners presented their case. At the conclusion of the testimony the hearings were postponed until such time as the inspectors of the Board could make a complete investigation of the entire property and the manner in which it was being maintained and operated. After such investigation further hearings were held, at which the result of the investigation of the inspectors of the Board were submitted in the form of testimony and detailed exhibits by said inspectors.

The record in this case is voluminous and much of the testimony submitted by the petitioners was of such general character as not to afford conclusive proof of the allegations in the petition. The testimony of the inspectors of the Board, however, indicates that the Trenton and Mercer County Traction Corporation is not furnishing safe, adequate and proper service on its lines, has not proper facilities for furnishing such service, and also is not maintaining its property and equipment in condition to furnish such service.

This condition doubtless results from:

1. Delays due to frequent opening of draw bridges and closing of gates at railway crossings.
2. Congestion of vehicular and car traffic on certain streets.
3. Lack of proper discipline among employes, especially platform men.
4. No lay-over time on many lines, especially during rush hours.
5. Occupation of front platforms, steps, etc., of cars by passengers.
6. Suburban cars not equipped with signal lights.
7. Lack of proper maintenance of rolling stock.
8. Cars not provided with proper signs or devices for protecting life and limb.
9. Inadequate car barn and shop facilities, including equipment.
10. Operation of certain cars of improper design and insufficient capacity, particularly during rush hours.

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11. Insufficient trackage facilities in certain localities.
12. Certain defects in track construction.
13. Certain defects in overhead construction.
14. Improper maintenance of signal system.
15. Inadequate facilities for making emergency repairs to overhead line.
16. Certain needed repairs at power station.
17. Improper and inadequate routing of cars.
18. Absolute lack of transportation facilities in certain localities.
19. Improper location and insufficient number of turnouts on one line.
20. Lack of maintenance of headways.
21. Too elaborate organization of company.
22. Improper location of car barn.
23. Abandonment of portion of certain lines.
24. Insufficient service on certain lines during rush hours.

It appears that while certain of the above conditions, as for instance, delays at canal bridges, and railway crossings and delays caused by vehicular traffic, are occasioned by circumstances beyond the control of the Trenton and Mercer County Traction Corporation, yet by far the majority of these conditions are subject to remedial action by the company.

Several of the conditions which are noted above have been either corrected since the investigation by the inspectors of the Board or are now in process of correction, and therefore will not be discussed further.

These are as follows:

Lay-overs on all lines; repairs to track and overhead; repairs at power station; rearrangement of the company's organization, which should result in improved and more economic operation and maintenance of the property; repairs of car barns and shops.

In view of the evidently strained financial condition of the Trenton and Mercer County Traction Corporation, which even the counsel for the petitioner's in his arguments admitted to be the case, it is apparent that such improvements as would require large expenditures of money cannot be expected to be made im-

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mediately. Furthermore, various agencies of the Federal Government are continually advising strict economy in the operation and maintenance of public utilities, during the period of the war, particularly with respect to any major improvements and extensions of existing facilities which are not considered to be absolutely necessary. However, many of the improvements suggested in the petition and many of the unsatisfactory conditions which were shown by the testimony to exist, as noted above, can be remedied through more efficient administration in some cases and a better grade of maintenance in others.

A matter which was particularly emphasized by the petitioners in their testimony was that of the type and condition of the single track cars now being operated by the company. These cars were claimed to be obsolete and worn out as well, and the substitution therefor of cars operated by one man, known as "one-man" cars, was urged. During the proceeding the petitioner's expert, Mr. Peter Witt, testified that in lieu of this, double-track cars now operated by the company could be so equipped, at a cost not exceeding \$100 per car; that they could be operated by one man during the base table period, or non-rush hours, and by two men during the rush hour, and he recommended such operation.

It was brought out in the proceeding that the type of car referred to by the petitioner is a single truck car of special design, usually constructed with a seating capacity of from 24 to 30 persons and equipped with several automatic devices to insure greater safety incident to one-man operation.

The principal arguments in favor of the "one-man" car are light weight, rapid acceleration, quick braking and reduction in platform expense. The light weight results in economy in power consumption per unit and less wear and tear on the track. The time of unloading and loading of cars of this type, particularly during the rush hours, is necessarily greater than that of cars which are operated by two men. It is claimed, however, that this delay is more than offset by the increase in scheduled speed.

"One-man" car operation is a method through which there is operated a greater number of units of a smaller type and at higher speed for a given amount of traffic. While this method has much

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merit in it and may, in the course of time, be substituted for the present general method of operating large units, yet it is not believed to be suited on the whole to the existing conditions in Trenton.

The necessary alterations to the cars for operation as suggested by Mr. Witt would cost considerably more than \$100 per car, and such operation would be impracticable.

The Board having in mind the entire situation as evidenced by the record, finds and determines that:

The Trenton and Mercer County Traction Corporation does not furnish safe, proper and adequate service on all its lines in the territory described in the petition, and does not keep and maintain certain of its property and equipment hereinafter mentioned in condition to enable it to furnish safe, proper and adequate service. In order to render safe, proper and adequate service and keep and maintain its property and equipment in condition to enable it to do so, it should:

1. Improve the discipline of its employes, especially the platform men.
2. Equip all suburban cars in operation between 20 minutes after sundown and 20 minutes before sunrise with rear signal lights, or markers, showing red toward the rear and using oil for fuel.
3. Maintain its cars at all times in such condition that they shall be clean, that the brakes, tracks, motors, controllers and all other mechanical and electrical parts be kept in good repair and in proper operating condition and that all parts of the car body be kept in good repair.
4. Make the necessary repair to roof of car barn and shops.
5. Provide suitable fire protection in car barn and shops consisting either of an automatic sprinkling apparatus or ample hose and standpipes.
6. Make repairs to overhead lines as follows:
 - (a) Repair overhead special work at car barn.
 - (b) Replace all decayed cross arms, broken or decayed insulator pins and broken or missing insulators with new materials.

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(c) Properly secure all feeder wires to insulators at each point of support.

(d) Tighten all slack span and guy wires.

(e) Repair all broken span and guy wires.

7. Make necessary repairs to signal system by properly supporting and securing wires on insulators.

8. Make necessary repairs to track as follows:

(a) SPECIAL WORK.

Renew or replace the following:

Broad and State Streets, 6 frog and crossing center plates; Pennington Avenue and Warren Street, frog center; at car barn, broken switchmate; turnout at Brunswick Avenue near Pine Street, one frog center; Pennington Avenue, where single track commences, one frog center; turnout on Pennington Avenue near Prospect Street, one switch point, loose center plate in frog, frog and pin missing from one switch point; Pennington Avenue, turnout on Pennington Avenue near Parkway Avenue (City Line), one switch point and one switchmate; Clinton Avenue and Mulberry Street, two switches and one frog, one broken switch.

(b) BROKEN RAILS.

Replace or repair the following:

Centre Street and Cass Street; Centre and Engleton Streets, beginning of single track at Centre and Lalor Streets; at turnout on Paul Avenue near Brunswick Avenue; Brunswick Avenue and Paul Avenue; Pennington Avenue and Prospect Street; at North Clinton Avenue and Mulberry Street; Mulberry Street and St. Joes Avenue.

(c) DEFECTIVE JOINTS.

Olden Avenue, East State Street to Hamilton Avenue, many low joints; South Broad Street, Lafayette Street to Market Street, several low joints; South Broad Street at Canal Draw Bridge

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and Pennsylvania Railroad Crossing, low and uneven joints; at special work at Second and Lalor Streets, low joints; Princeton Avenue and Morgan Avenue, low joints at special work; Paul Avenue and Brunswick Avenue, open joint at end of curve; Brunswick Avenue at turnout near Pine Street, low joints; Pennington Avenue near west corner of reservoir, open joint; several low joints on Pennington Avenue from Prospect Street to City Line; North Clinton Avenue, Pennsylvania Railroad Bridge, low joints; Mulberry Street; North Clinton Avenue to St. Joes Avenue, several low joints.

(d) SURFACING AND ALIGNMENT.

Resurface or realign as may be necessary at the following locations:

Private right-of-way, Stuyvesant Avenue to Sullivan Way. Replace all defective ties in this section; East State Street, midway between Monmouth Street and Chambers Street, about 75 feet of track which has settled; three low places in track in East State Street between Chambers Street and Hampton Avenue; Dye Street to crossing of Pennsylvania Railroad Crossing at Roebling Works; South Clinton Avenue between the two crossings of the Pennsylvania Railroad siding.

9. Terminate Princeton and Hamilton Square lines at Broad and State Streets as an experiment for six months and continue thereafter if so directed by the Board of Public Utility Commissioners.

10. Improve the service on existing routes as follows:

(a) Maintain half-hourly rush-hour service and otherwise hourly service on Princeton Line between Broad and State Streets and Cranston's Switch.

(b) Maintain at least present service on Pennington, Hopewell and Trenton Junction Lines.

(c) Establish express stops on Princeton and Hamilton Square Lines, said stops to be approved by this Board. The cars thus operated to be clearly marked by a suitable indicating sign.

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(d) Maintain similar service as mentioned in 10 (a) on Hamilton Square Line, between Hamilton Square and Broad and State Streets.

(e) Operate at least a 20-minute headway on Yardville Line to White Horse during rush hours and maintain at least present schedule on East Trenton and South Broad Street Lines.

11. Prohibit the occupation of front platforms of cars by passengers.

12. Maintain scheduled headways on all lines at all times.

The effective dates of these sections shall be as follows:

Section 9, October 1st, 1918.

Section 10, October 15th, 1918.

Section 2, November 15th, 1918.

Sections 5 and 7, January 1st, 1919.

Sections 4 and 6, January 1st, 1919.

Section 8, February 1st, 1919.

Section 11, October 1st, 1918.

All other sections shall become effective immediately.

An order in accordance with these findings will be made.

Other changes which would undoubtedly materially improve the trolley situation in the City of Trenton are recommended as follows:

1. Replace certain of the single truck closed cars which are now being operated with double truck cars of a modern type. This replacement should preferably take place as follows: Five (5) cars on or before March 15th, 1919, and the remainder on or before January 1st, 1920.

2. Cease the operation for regular service of the closed single truck cars now being operated as rapidly as they may be replaced with double truck cars, except that certain of the closed single truck cars, when placed in proper repair may be operated on certain lines during periods of light traffic.

3. Make the necessary repairs for proper operation as far as it may be practicable to do so, to such of the single truck cars as the company now has in its possession and operate the same as required by the traffic conditions on the different lines until such

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time as they can be replaced as suggested in one of these recommendations.

4. Equip its city cars with wheel guards and its suburban cars with pilots.

5. Equip with air brakes ten (10) double truck cars which are now equipped with hand brakes only.

6. Remodel existing car shops so as to provide, by installing necessary pits, etc., facilities for "pit repairs" to at least four of its largest cars, simultaneously.

7. Install transfer table or the necessary trackage connections in its car shops so that each pit will be readily accessible for any type of cars.

8. Install in shops a wheel grinder and at least one power car hoist.

9. Provide a motor driven emergency line repair wagon.

10. Install at Broad and State Streets double track connections between South Broad Street and State Street in both directions on State Street, and thus provide more efficient routing and operation of cars to and from the barn.

11. Install single track siding at Calwalader Park, so as to provide for the parking of cars at the park.

12. In order to provide more efficient routing and operation of cars install additional trackage as follows:

(a) Single track on North Clinton Avenue from State Street to Perry Street, including proper connections with existing track.

(b) Additional track, making a double track line on East State Street, from Johnson Avenue to Whitehead Road.

(c) Additional turnout on West State Street and Hamilton Avenue Line, so as to provide for proper maintenance of headways on said line.

13. Reroute certain lines as follows:

(a) Operate via North Clinton Avenue to and from East Trenton during rush hours certain of the cars now operated on the South Clinton Avenue Line. This may be accomplished on the completion of connection on North Clinton Avenue, as suggested in 12 (a).

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(b) Combine Pennington and Centre Street schedules by the operation of the cars of the Pennington Line over the Centre Street route south of State Street. This may be accomplished on completion of the installation of the additional special work at Broad and State Streets as recommended in 10 last above.

(c) Operate tripper cars to East Trenton only as far as end of double track,

14. Extend West State Street Line to connect with Trenton Junction Line at Asylum Road. This will provide more ready access to points on Trenton Junction Line, and while not a source of additional revenue, except a slight saving in car miles, will be of much advantage in many respects.

In case this recommendation is adopted the Prospect Street Line may be terminated at Cadwalader Park, and the tracks removed from Stuyvesant Avenue and private right-of-way to the point where the West State Street Line will connect with the Trenton Junction Line.

15. Abandon South Clinton Avenue Line east of Roebling Avenue and construct double track line on Roebling Avenue from South Clinton Avenue to Revere Avenue.

A petition remonstrating against the discontinuance of the South Clinton Avenue Line and signed by several hundred of its patrons was received by the Board. The signers of said petition allege that the discontinuance or any change in location of this line would result in great injury to the business interests located along the line and also in great injury and inconvenience to them and the public in general.

That portion of the line which it is recommended be abandoned is paralleled by the South Broad Street Line at a distance of approximately 500 feet. The South Broad Street Line, therefore, serves the territory occupied by the South Clinton Avenue line. The investigation disclosed the fact that the majority of the patrons of the South Clinton Avenue Line reside in the territory north of said line, known as the "Chambersburg Section," which is not now properly provided with transportation facilities. The proposed extension on Roebling Avenue would provide such facil-

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ities. Furthermore, when the petition was submitted the impression prevailed that a line would perhaps be built on Washington Street, extending south from Hamilton Avenue, as prayed for in the petition of the Inhabitants of the City of Trenton.

Three potent factors in the interference of the proper operation of the property are the frequent opening of canal draw bridges, the frequent closing of gates at railroad grade crossings and the congested vehicular traffic on certain streets through which the company's cars pass.

While the control of these matters is not within the jurisdiction of the Board or of the Trenton and Mercer County Traction Corporation, yet the Board feels that some steps should be taken to relieve these conditions as far as it is practicable to do so. Cooperation in these matters between the company and proper authorities is suggested.

Dated September 24th, 1918.

ORDER.

This matter having been duly heard and the Board having, on September 24th, 1918, made and filed a report containing its findings of fact and conclusions thereon, which report, by reference thereto herein, is made part hereof, the Board HEREBY DIRECTS AND ORDERS the Trenton and Mercer County Traction Corporation to do and perform the following:

1. To direct the attention of each of its inspectors, conductors, motormen and other employes to its rules for the government of their conduct, and to inform each of said employes that these rules must be obeyed.

2. Equip suburban cars with rear markers.

3. Maintain its cars at all times in such condition that they shall be clean; that the brakes, trucks, motors, controllers and all other mechanical and electrical parts shall be kept in good repair and in proper operating condition, and that all parts of the car bodies shall be kept in good repair.

4. Make the necessary repairs to roof of car barn and shops.

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5. Provide suitable fire protection in car barn and shops, consisting either of an automatic sprinkling apparatus or ample hose and standpipes.

6. Make repairs to overhead line as follows:

(a) Repair overhead special work at car barn.

(b) Replace all decayed cross arms, broken or decayed insulator pins and broken or missing insulators with new material.

(c) Properly secure all feeder wires to insulators at each point of support.

(d) Tighten all slack span and guy wires.

(e) Repair all broken span and guy wires.

7. Make necessary repairs to signal system by properly supporting and securing wires on insulators.

8. Make necessary repairs to track as follows:

(a) SPECIAL WORK.

Renew or replace the following:

Broad and State Streets, 6 frog and crossing center plates; Pennington Avenue and Warren Street, frog center. At car barn, broken switchmate; turnout at Brunswick Avenue near Pine Street, one frog center; Pennington Avenue where single track commences, one frog center; turnout on Pennington Avenue near Prospect Street, one switch point, loose center plate in frog, frog and pin missing from one switch point; Pennington Avenue, turnout on Pennington Avenue near Parkway Avenue (City Line), one switch point and one switchmate; Clinton Avenue and Mulberry Street, two switches and one frog, one broken switch.

(b) BROKEN RAILS.

Replace or repair the following:

Centre Street and Cass Street; Centre and Engleton Streets; beginning of single track at Centre and Lalor Streets; at turnout

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on Paul Avenue near Brunswick Avenue; Brunswick Avenue and Paul Avenue; Pennington Avenue and Prospect Street; at North Clinton Avenue and Mulberry Street; Mulberry Street and St. Joes Avenue.

(c) DEFECTIVE JOINTS.

Olden Avenue, East State Street to Hamilton Avenue, many low joints; South Broad Street, Lafayette Street to Market Street, several low joints; South Broad Street at Canal Draw Bridge and Pennsylvania Railroad Crossing, low and uneven joints; at special work at Second and Lalor Streets, low joints; Princeton Avenue and Morgan Avenue, low joints at special work; Paul Avenue and Brunswick Avenue, open joint at end of curve; Brunswick Avenue at turnout near Pine Street, low joints; Pennington Avenue near west corner of reservoir, open joint; several low joints on Pennington Avenue from Prospect Street to City Line; North Clinton Avenue, Pennsylvania Railroad Bridge, low joints; Mulberry Street; North Clinton Avenue to St. Joes Avenue, several low joints.

(d) SURFACING AND ALIGNMENT.

Resurface and realign as may be necessary at the following locations:

Private right-of-way, Stuyvesant Avenue to Sullivan Way. Replace all defective ties in this section; East State Street, midway between Monmouth Street and Chambers Street, about 75 feet of track which has settled; three low places in track in East State Street, between Chambers Street and Hampton Avenue: Dye Street to crossing of Pennsylvania Railroad Crossing at Roebling Works; South Clinton Avenue, between the two crossings of the Pennsylvania Railroad siding.

9. Terminate Princeton and Hamilton Square Lines at Broad and State Streets, unless and until otherwise directed by the Board of Public Utility Commissioners.

City of Trenton *vs.* Trenton and Mercer County Traction Corporation.

10.

(a) Maintain half-hour service during rush hours and hourly service at other times, except when schedule shows no operation, on Princeton Line between Broad and State Streets and Cranston's Switch.

(b) Maintain at least present scheduled service on Pennington, Hopewell and Trenton Junction Lines.

(c) Establish express stops on Princeton and Hamilton Square Lines, said stops to be approved by this Board. The cars thus operated to be clearly marked by a suitable indicating sign.

(d) Maintain 20-minute service during rush hours, and at other times, except when schedule shows no operation, 40-minute service on Hamilton Square Line, between Hamilton Square and Broad and State Streets.

(e) Operate at least a 20-minute headway on Yardville Line to White Horse during rush hours and maintain at least present schedule on East Trenton and South Broad Street Lines.

11. Prohibit the occupation of front platforms of cars by passengers.

12. Keep in operation upon all lines at all times a sufficient number of cars in good condition so that there shall be no interruption of the schedules in effect, and provided for by this order, because of insufficient or faulty equipment.

The work called for by this order shall, as to the following, be completed by the dates named below:

That called for by Sections 4, 6 and 7, by February 1st, 1919.

That called for by Section 5, by January 1st, 1919.

That called for by Section 8, by May 1st, 1919.

All other requirements imposed upon the company by this order shall become effective immediately. The effective date of this order shall be December 20th, 1918.

Dated November 27th, 1918.

Public Service Railway Co.—Further Increase in Rates of Fare.

No. 623.

**IN THE MATTER OF THE APPLICATION OF THE PUBLIC SERVICE
RAILWAY COMPANY FOR A FURTHER INCREASE IN RATES OF
FARE.**

1. The Board welcomes the presentation of facts which will aid it in reaching a fair and equitable determination of any controversy in any proceeding before it, but the mere approval or protest in a proceeding fixing a rate charged or to be charged by a utility does not aid the Board in arriving at its conclusion.

2. In order to render safe, adequate and proper service, the Public Service Railway Company will be required to raise additional revenue to the amount of \$860,000 by reason of the award of the National War Labor Board on August 1st, 1918, in addition to a like sum provided for in the order of this Board July 10th, 1918.

3. The said award was made by William Howard Taft, former president of the United States, and Frank P. Walsh, as arbitrators, and is not a subject of controversy before us.

4. The Board finds that an emergency exists and determines the existing rates to be insufficient.

REPORT.

Marshall Van Winkle and George L. Record, for New Jersey State League of Municipalities.

Thomas N. McCarter, Edmund W. Wakelee and L. D. H. Gilmour, for Public Service Railway Company.

L. Edward Herrmann, for the Board.

On August 6th last, a petition was filed with the Board by the Public Service Railway Company, requesting it to fix as a rate of fare on its lines of street railway seven cents where a fare of five cents is now charged. Such increase of fare to be in addition to the charge of one cent for each initial transfer heretofore allowed by this Board on a former application of the company.

Public Service Railway Co.—Further Increase in Rates of Fare.

On August 29th a hearing was held in the City of Newark, and in addition to counsel appearing for the company, the League of Municipalities, and individual municipalities, there appeared representatives of large governmental, industrial manufacturing and financial institutions, as well as Chambers of Commerce and Boards of Trade of various municipalities of this State. Most, if not all, of these representatives presented memorials stressing the necessity of the functioning by the railway company at its maximum efficiency and the allowance of such a rate of fare as would provide sufficient funds. On the other hand, representatives of numerous municipalities appeared, as well as some citizens, to protest against the allowance of any increase in the rate of fare. The only evidence presented, however, was that of the company, there being no testimony offered by any of the agencies of municipalities appearing. The Board welcomes the presentation of facts which will aid it in reaching a fair and equitable determination of any controversy in any proceeding before it, but the mere approval or protest in a proceeding fixing a rate charged or to be charged by a utility does not aid the Board in arriving at its conclusion. While the memorials were permitted to be filed and the protests to be entered on our record, neither constituted evidence nor testimony and could not be considered by the Supreme Court on review of our finding.

In a former proceeding and upon an application made by the Public Service Railway Company for the approval of the following schedule of fares filed by it to be effective April 1st last, viz.:

1. A fare of seven cents where five cents is now charged.
2. A charge of two cents for each transfer issued on payment of a cash fare.
3. A charge of one cent for each transfer issued on a transfer.

The Board, by its report and order, dated July 10th, 1918, dismissed the petition, but found the then existing rate to be insufficient.

The conclusions in said report are as follows:

- “1. The petition will be dismissed. ●

Public Service Railway Co.—Further Increase in Rates of Fare.

“2. We conclude (a) that, in order to render the public continuous, safe, adequate and proper service, the Public Service Railway Company will be required to raise additional revenue to the amount of \$860,000, and determine the existing rate to be insufficient. Additional revenue to the amount of \$860,000 will admit of the wage increases to the maximum testified to by the president of the company to be necessary. The wage controversy between the employes of the company and the company is now before the Federal War Labor Board for adjustment. The amount we allowed in our calculations was \$1,086,000, and this sum shall be appropriated toward any increase allowed by the Federal War Labor Board. (b) We further, in our calculations, allowed as an appropriation to depreciation reserve the sum of \$800,000, which sum is not to be used for any other purpose. The balance of our allowances is to cover the fixed charges, being the interest on the funded debt, rentals and taxes.

“3. We conclude that the sum of \$860,000 can best be raised to meet the emergency by imposing a war surcharge of one cent on all initial transfers. As this is to be an emergency charge, it should become effective subject to the following conditions:

“(a) The company shall promptly file with the Board for each calendar month, beginning with the month of June, 1918, so long as this surcharge is added to its schedule of rates, a statement giving the total amount of wages and salaries paid, duly classified by character of service rendered to the company, and the rates per hour, day or period for which the wage or salary is payable, likewise classified, and indicating any change in classification of employes and the wage rates resulting therefrom.

“(b) The company shall file with the Board for each calendar month, beginning with the month of June, 1918, during which the emergency surcharge is added to its rate schedule, a complete comparative income statement for 1917 and 1918 of its operations showing revenue and

Public Service Railway Co.—Further Increase in Rates of Fare.

revenue deductions, classified in accordance with the uniform system of accounts for street or traction railway utilities (first issue) prescribed by this Board, together with mileage traffic and miscellaneous statistics as required on page 35 of the form of annual report now required to be filed by this Board.

“(c) The Board will retain jurisdiction of the emergency or war surcharge as herein approved for the purpose of modifying or abrogating same as and if the conditions change.

“4. The company shall file or submit to the Board before January 1st, 1919, a plan whereby the method of charging at present in force may be revised by an equitable zoning system over its entire territory, proper consideration being given to all of the elements to more properly relate the cost of service with the length of haul and value of service.

“Subject to the foregoing conditions and their acceptance by the company, the Board fixes as a just and reasonable charge to be imposed, observed and followed by the Public Service Railway Company on and after the first day of August, 1918, a charge of one cent on all initial transfers, in addition to any and all charges now imposed, observed and followed by said company.”

The conclusions were reached after an exhaustive investigation. A mass of testimony was furnished both by the company and the municipalities. The allowance of a charge of one cent upon the initial transfer, in addition to the then existing charges, was made upon conditions imposed by the Board and was accepted by the company. The Board retained jurisdiction of the matter for “the purpose of modifying or abrogating” the charge allowed as and if the conditions changed. The petition alleges changed conditions and present proceeding is a continuation of the former. In addition to the new or changed conditions alleged the petition renews its plea for increased revenue upon all of the grounds urged upon the original application, viz., its needs for new capital for construction work, and its inability to market its

Public Service Railway Co.—Further Increase in Rates of Fare.

stock to raise new capital; insufficient revenue to pay dividends on its stock equal to the dividends paid by it in the year 1916, etc. These matters were disposed of by the Board in the former proceeding, and the present proceedings are for the purpose of ascertaining the effect of the conditions which have arisen since the report and order of July 10th, 1918.

The new conditions which have arisen are the further increases in wages ordered to be paid by the petitioner to its motormen and conductors by the National War Labor Board on August 1st last. It will be noted in our former report that in calculating the amount of additional revenue necessary to be obtained by the petitioner there was allowed the sum of \$1,086,000 for increased wages. This was the full amount of increased wages which the company claimed it would be obliged to pay. At that time the matter of wage adjustment had been submitted to and was under consideration by the National War Labor Board, and with reference to this we said: "The wage controversy between the employes of the company and the company is now before the Federal War Labor Board for adjustment. The amount we allowed in our calculations was \$1,086,000, and this sum shall be appropriated toward any increase allowed by the Federal War Labor Board."

The War Labor Board, on August 1st last, made awards increasing the wages of employes of the petitioner in excess of the amount allowed by this Board, and it is further alleged by the petitioner that in consequence thereof it became necessary and it has been obliged to collaterally increase the wages of its employes in other departments not affected by said Board's order. In making its award the War Board made the following recommendations:

"FINANCIAL RECOMMENDATION.

"This increase in wages will add substantially to the operating cost of the company and will require a reconsideration by the proper regulating authority of the fare which the company is allowed by law to collect from its passengers.

Public Service Railway Co.—Further Increase in Rates of Fare.

“We make part of this award the words we have used in the award in the Cleveland case:

“ ‘We have recommended to the President that special congressional legislation be enacted to enable some executive agency of the Federal Government to consider the very perilous financial condition of this and other electric street railways of the country, and raise fares in each case in which the circumstances require it. We believe it to be a war necessity justifying Federal interference. Should this be deemed unwise, however, we urge upon the local authorities and the people of the locality the pressing need for such an increase adequate to meet the added cost of operation.

“ ‘This is not a question turning on the history of the relations between the local street railways and the municipalities in which they operate. The just claim for an increase in fares does not rest upon any right to a dividend upon capital long invested in the enterprise. The increase in fare must be given because of the immediate pressure for money receipts now to keep the street railways running so that they may meet the local and national demand for their service. Overcapitalization, corrupt methods, exorbitant dividends in the past are not relevant to the question of policy in the present exigency. In justice the public should pay an adequate war compensation for a service which cannot be rendered except for war prices. The credit of these companies in floating bonds is gone. Their ability to borrow on short notes is most limited. In the face of added expenses which this and other awards of needed and fair compensation to their employes will involve, such credit will completely disappear. Bankruptcy, receiverships and demoralization, with failure of service, must be the result. Hence our urgent recommendation on this head.’ ”

The petitioner at the hearing rested its claim solely upon the increase in wages which would result from the award of the War Labor Board. Had this award been made before the termination

Railway Co.—Further Increase in Rates of Fare.

proceeding, we would have included the increased rate, and a greater increase in the rate of fare than by us would have resulted. No testimony was offered by the petitioners. They sought to defeat the application, urging the same arguments as were urged in the former proceeding, that this Board is without jurisdiction; the existence of municipal franchises fixing the rate of fare to be charged and the impropriety of fixing a rate without first ascertaining the value of the property of the petitioner. These contentions were all fully considered and disposed of in the former proceeding. No reason now advanced appears to us to justify a reconsideration of them.

While the matter as thus presented appears to be simple, complications are present that are not immediately apparent. The award made by the War Labor Board is retroactive, in that the effective date of the award is as of June 7th, 1918. This makes it imperative for the railway company not only to pay the increased scale of wages as they become currently due, but in addition thereto wages in excess of those already paid, accruing since June 7th last, in accordance with the same scale. Having ascertained the amount of these as accurately as possible, consideration must be given to the time within which the necessary revenue must be raised. This vitally affects the amount of the increase allowed. If the additional revenue were required to be raised during the balance of the present year an inequitable and certainly prohibitive increase in fare would result. In order that the patrons of the railway company may not be unduly burdened and at the same time that the petitioner may not be financially embarrassed some plan must be adopted which will be equitable both to the public and the company. Having adopted some such plan a further adjustment then becomes necessary. The company being reimbursed for the deferred wages, the revenues then need only provide for the current increased wages, and the rates of fare should accordingly be reduced.

The petitioner offered estimates showing the amount of increased wages it would be obliged to pay during the then remaining five months of the present fiscal year. The calculations of

Public Service Railway Co.—Further Increase in Rates of Fare.

these estimates were based upon the number of "car hours" and "man hours" actually operated during the present year. No contradicting evidence having been presented, the Board, to satisfy itself as to the accuracy of these estimates, caused the books and records of the company to be examined by its experts. We are satisfied that the estimates presented by the company are reasonably accurate.

According to the statement of the company's counsel, a seven-cent fare with an additional charge of one cent for a transfer, in effect between September 15th and December 31st, 1918, a period of three and a half months, would yield sufficient revenue to make up the difference of approximately \$860,000 (Exhibit 206) between the actual wage increases paid and to be paid during the last five months of 1918 and the amount of wage increases for which provision was made in fixing the present fare of five cents with a one-cent charge for a transfer. This is equivalent to approximately \$245,000 additional revenue per month and is somewhat larger than the estimated average monthly increased revenue at the higher fare, viz., \$212,500, the difference representing the greater traffic that usually occurs during the last few months of the year than in the other months.

According to Exhibit P-205, the excess of the total annual wage increases effective August, 1918, over the amount of wage increases for which provision was made in fixing the present fare of five cents with an additional charge of one cent for a transfer, is \$1,630,000. The excess from August 1st to December 31st, a period of five months, would be 5/12ths of this amount, viz., \$680,000. According to Exhibit P-206, the excess up to the close of 1918 will be approximately \$860,000, and subtracting from this figure the \$680,000, leaves \$180,000 as the amount of deficiency in revenue or deficit on August 1st, 1918, which covers that portion of the third and fifth items in Exhibit P-207 applicable to the period prior to August 1st. During each month at the present rate of fare the deficit will be increased by \$136,000, i. e., 1/12th of \$1,630,000 above stated, and accordingly on September 15th was approximately \$384,000 and on October 15th will be \$520,000.

Public Service Railway Co.—Further Increase in Rates of Fare.

According to the statement of the company's counsel the entire amount of the deficit accruing up to September 15th, 1918, would be practically wiped out at the close of the year by raising the fare on the former date from five to seven cents.

At the same average monthly gain in revenue, a loss of \$520,000 accruing up to October 15th, 1918, will be made up in approximately five months. As shown by the evidence, the decreased traffic during the winter months results in a falling off of revenue. March 31st, 1919, is therefore, in our judgment, a proper time limit to allow for the making up of the said deficit.

It is also established by the evidence that when the company's deficit herein discussed is made up a fare of six cents and a charge of one cent on each initial transfer will yield sufficient revenue to enable the company to meet its operating expenses, pay bond interest and rentals on leased properties, and provide an annual appropriation of \$800,000 for depreciation.

We therefore find and determine that in order to render the public continuous, safe, adequate and proper service, the Public Service Railway Company will be required to raise additional revenue to the amount of \$860,000 by reason of the award of the National War Labor Board on August 1st, 1918, in addition to a like sum provided for in the order of this Board, July 10th, 1918.

The said award was made by William Howard Taft, former President of the United States, and Frank P. Walsh, as arbitrators, and is not a subject of controversy before us. By its terms the award "shall continue for the duration of the war, except that either party may reopen the case before the arbitrators at periods of six-month intervals, beginning February 1st, 1919, for such adjustments as changed conditions may render necessary."

The difficulty in fixing just and reasonable rates in such troublesome times and with the constantly changing conditions must be apparent to everyone.

We find that an emergency exists and determine the existing rates to be insufficient.

Public Service Railway Co.—Further Increase in Rates of Fare.

We conclude that the sum of \$860,000 should be raised to meet the emergency by imposing a war surcharge of two cents, making a fare of seven cents where five cents is now charged. Said rate of fare to be effective October 15th, 1918, and to continue up to and include March 31st, 1919, and for the reasons previously stated we find and determine that the just and reasonable rate of fare to be charged on and after April 1st, 1919, is a war surcharge of one cent, making a fare of six cents where five cents is now charged.

The charge for transfers to remain the same as in our original order of July 10th, 1918.

As this is an emergency surcharge it should become effective subject to the following conditions:

(a) The company shall promptly file with the Board for each calendar month, beginning with the month of October, 1918, so long as this surcharge is added to its schedule of rates, a statement giving the total amount of wages and salaries paid, duly classified by character of service rendered to the company, and the rates per hour, day or period for which the wage or salary is payable, likewise classified, and indicating any change in classification of employes and the wage rates resulting therefrom.

(b) The company shall file with the Board for each calendar month, beginning with the month of October, 1918, during which the emergency surcharge is added to its rate schedule, a complete comparative income statement for the current and preceding years of its operations, showing revenue and revenue deductions, classified in accordance with the uniform system of accounts for street or traction railway utilities (first issue) prescribed by this Board, together with mileage, traffic and miscellaneous statistics as required on page 35 of the form of annual report now required to be filed by this Board.

(c) The Board will retain jurisdiction of the emergency or war surcharge as herein approved for the purpose of modifying or abrogating same as and if the conditions change.

Subject to the foregoing conditions and their acceptance by the company, the Board fixes as a just and reasonable charge to be imposed, observed and followed by the Public Service Railway

Public Service Railway Co.—Further Increase in Rates of Fare.

Company on and after the 15th day of October, 1918, a charge of seven cents where five cents is now charged, up to and including March 31st, 1919, and the Board fixes as a just and reasonable charge to be imposed, observed and followed by the said Public Service Railway Company on and after April 1st, 1919, a charge of six cents where five cents is now charged.

By its report of July 10th this Board ordered the petitioner to file and submit to it on or before January 1st next a plan whereby the method of charging at present in force may be revised by an equitable zoning system over its entire territory, proper consideration being given to all of the elements to more properly relate the cost of service with the length of haul and value of service.

The company is now and has been for some time past gathering data of traffic on its lines to be used in the preparation of such a plan, and the president of the petitioner assured the Board that such a plan will be filed and submitted to us early in January next. Any plan submitted will necessarily have to be investigated by experts employed by this Board before adoption, to ascertain the fairness of the scheme and the probable results of operation.

We anticipate that it may be possible to adopt some plan before April 1st. The plan with its schedule of rates when adopted will be substituted for the then existing rate.

Dated September 25th, 1918.

ORDER.

The Board of Public Utility Commissioners having on the date hereof made and filed a report, stating its findings of fact and conclusion thereon, which report by reference thereto is made part hereof—

HEREBY ORDERS fixed as a just and reasonable charge to be imposed, observed and followed, on and after the effective date of this order, by the Public Service Railway Company, a charge of seven cents where five cents is now charged up to and including March 31st, 1919, and the Board fixes as a just and reason-

Public Service Railway Co.—Further Increase in Rates of Fare.

able charge to be imposed, observed and followed by the said Public Service Railway Company on and after April 1st, 1919, a charge of six cents where five cents is now charged. These charges to be in addition to the charge of one cent for each initial transfer allowed by this Board in its order of July 10th, 1918, and to be collected only in the event that prior to October 10th, 1918, the Public Service Railway Company shall file with the Board of Public Utility Commissioners its acceptance in writing of the rates herein allowed and for the periods of time named upon the following conditions:

(a) That the Public Service Railway Company agrees to file with the Board, for each calendar month, beginning with the month of October, 1918, so long as this surcharge is added to its schedule of rates, a statement giving the total amount of wages and salaries paid, duly classified by character of service rendered to the company, and the rates per hour, day or period for which the wage or salary is payable, likewise classified, and indicating any change in classification of employes and the wage rates resulting therefrom.

(b) That the Public Service Railway Company agrees also to file with the Board for each calendar month, beginning with the month of October, 1918, during which the emergency surcharge is added to its rate schedule, a complete comparative income statement for the current and preceding years of its operations, showing revenue and revenue deductions, classified in accordance with the uniform system of accounts for street or traction railway utilities (first issue) prescribed by this Board, together with mileage, traffic and miscellaneous statistics as required on page 35 of the form of annual report now required to be filed by this Board.

This ORDER shall become effective October 15th, 1918.

Dated September 25th, 1918.

Flemington Water Co.—Authority to Issue Bonds and Stock.

No. 624.

IN THE MATTER OF THE PETITION OF THE FLEMINGTON WATER COMPANY FOR AUTHORITY TO ISSUE \$15,500 4½% GOLD BONDS AND \$10,000 OR MORE OF STOCK AS A STOCK DIVIDEND.

Application is made by a water utility for permission to issue a stock dividend based on the appraised value of the property January 1st, 1914, plus net additions from 1914 to 1916 inclusive, less depreciation of plant and property accrued from 1914 to 1916 inclusive. Held—

1. The original or cost value of the property should be used as the basis on which to compute the amount invested from earnings which could be capitalized in the stock dividend.

2. If the company provides annually one per cent. of its fixed capital as an appropriation to depreciation reserve and pays the interest on \$15,000 bonds outstanding and on \$15,500 of bonds, permission to issue which is sought, the sum remaining would be insufficient to pay on the additional stock anything like the dividend heretofore paid on the outstanding capital stock.

3. It would appear that the issuance of the stock dividend would serve no useful purpose and that with respect to this the petition should be denied.

4. Approval should be given to the issuance of \$15,500 bonds for the purpose of recouping the treasury for expenditures on capital account heretofore made of \$12,221 and \$3,300 proposed to be made.

George K. Large, for the petitioner.

The petitioner alleges that it was duly incorporated by special act of the Legislature approved March 15th, 1859 (Chap. 126, Laws of 1859, p. 356); that its authorized capital stock is \$50,000 par value, of which \$45,000 is outstanding, and that it is proposed to increase the amount of authorized capital stock to \$100,000; that on the first day of July, 1914, a general mortgage of the property of the company was executed to secure an aggregate sum of \$50,000 in bonds known as "first mortgage 4½% gold bonds," of which amount \$15,000 par value were issued for the purpose of refunding prior issues of bonds in the said sum of \$15,000, which bonds are now outstanding.

Public Service Railway Co.—Further Increase in Rates of Fare.

revenue deductions, classified in accordance with the uniform system of accounts for street or traction railway utilities (first issue) prescribed by this Board, together with mileage traffic and miscellaneous statistics as required on page 35 of the form of annual report now required to be filed by this Board.

“(c) The Board will retain jurisdiction of the emergency or war surcharge as herein approved for the purpose of modifying or abrogating same as and if the conditions change.

“4. The company shall file or submit to the Board before January 1st, 1919, a plan whereby the method of charging at present in force may be revised by an equitable zoning system over its entire territory, proper consideration being given to all of the elements to more properly relate the cost of service with the length of haul and value of service.

“Subject to the foregoing conditions and their acceptance by the company, the Board fixes as a just and reasonable charge to be imposed, observed and followed by the Public Service Railway Company on and after the first day of August, 1918, a charge of one cent on all initial transfers, in addition to any and all charges now imposed, observed and followed by said company.”

The conclusions were reached after an exhaustive investigation. A mass of testimony was furnished both by the company and the municipalities. The allowance of a charge of one cent upon the initial transfer, in addition to the then existing charges, was made upon conditions imposed by the Board and was accepted by the company. The Board retained jurisdiction of the matter for “the purpose of modifying or abrogating” the charge allowed as and if the conditions changed. The petition alleges changed conditions and present proceeding is a continuation of the former. In addition to the new or changed conditions alleged the petition renews its plea for increased revenue upon all of the grounds urged upon the original application, viz., its needs for new capital for construction work, and its inability to market its

Public Service Railway Co.—Further Increase in Rates of Fare.

stock to raise new capital; insufficient revenue to pay dividends on its stock equal to the dividends paid by it in the year 1916, etc. These matters were disposed of by the Board in the former proceeding, and the present proceedings are for the purpose of ascertaining the effect of the conditions which have arisen since the report and order of July 10th, 1918.

The new conditions which have arisen are the further increases in wages ordered to be paid by the petitioner to its motormen and conductors by the National War Labor Board on August 1st last. It will be noted in our former report that in calculating the amount of additional revenue necessary to be obtained by the petitioner there was allowed the sum of \$1,086,000 for increased wages. This was the full amount of increased wages which the company claimed it would be obliged to pay. At that time the matter of wage adjustment had been submitted to and was under consideration by the National War Labor Board, and with reference to this we said: "The wage controversy between the employes of the company and the company is now before the Federal War Labor Board for adjustment. The amount we allowed in our calculations was \$1,086,000, and this sum shall be appropriated toward any increase allowed by the Federal War Labor Board."

The War Labor Board, on August 1st last, made awards increasing the wages of employes of the petitioner in excess of the amount allowed by this Board, and it is further alleged by the petitioner that in consequence thereof it became necessary and it has been obliged to collaterally increase the wages of its employes in other departments not affected by said Board's order. In making its award the War Board made the following recommendations:

"FINANCIAL RECOMMENDATION.

"This increase in wages will add substantially to the operating cost of the company and will require a reconsideration by the proper regulating authority of the fare which the company is allowed by law to collect from its passengers.

Public Service Railway Co.—Further Increase in Rates of Fare.

revenue deductions, classified in accordance with the uniform system of accounts for street or traction railway utilities (first issue) prescribed by this Board, together with mileage traffic and miscellaneous statistics as required on page 35 of the form of annual report now required to be filed by this Board.

“(c) The Board will retain jurisdiction of the emergency or war surcharge as herein approved for the purpose of modifying or abrogating same as and if the conditions change.

“4. The company shall file or submit to the Board before January 1st, 1919, a plan whereby the method of charging at present in force may be revised by an equitable zoning system over its entire territory, proper consideration being given to all of the elements to more properly relate the cost of service with the length of haul and value of service.

“Subject to the foregoing conditions and their acceptance by the company, the Board fixes as a just and reasonable charge to be imposed, observed and followed by the Public Service Railway Company on and after the first day of August, 1918, a charge of one cent on all initial transfers, in addition to any and all charges now imposed, observed and followed by said company.”

The conclusions were reached after an exhaustive investigation. A mass of testimony was furnished both by the company and the municipalities. The allowance of a charge of one cent upon the initial transfer, in addition to the then existing charges, was made upon conditions imposed by the Board and was accepted by the company. The Board retained jurisdiction of the matter for “the purpose of modifying or abrogating” the charge allowed as and if the conditions changed. The petition alleges changed conditions and present proceeding is a continuation of the former. In addition to the new or changed conditions alleged the petition renews its plea for increased revenue upon all of the grounds urged upon the original application, viz., its needs for new capital for construction work, and its inability to market its

Public Service Railway Co.—Further Increase in Rates of Fare.

stock to raise new capital; insufficient revenue to pay dividends on its stock equal to the dividends paid by it in the year 1916, etc. These matters were disposed of by the Board in the former proceeding, and the present proceedings are for the purpose of ascertaining the effect of the conditions which have arisen since the report and order of July 10th, 1918.

The new conditions which have arisen are the further increases in wages ordered to be paid by the petitioner to its motormen and conductors by the National War Labor Board on August 1st last. It will be noted in our former report that in calculating the amount of additional revenue necessary to be obtained by the petitioner there was allowed the sum of \$1,086,000 for increased wages. This was the full amount of increased wages which the company claimed it would be obliged to pay. At that time the matter of wage adjustment had been submitted to and was under consideration by the National War Labor Board, and with reference to this we said: "The wage controversy between the employes of the company and the company is now before the Federal War Labor Board for adjustment. The amount we allowed in our calculations was \$1,086,000, and this sum shall be appropriated toward any increase allowed by the Federal War Labor Board."

The War Labor Board, on August 1st last, made awards increasing the wages of employes of the petitioner in excess of the amount allowed by this Board, and it is further alleged by the petitioner that in consequence thereof it became necessary and it has been obliged to collaterally increase the wages of its employes in other departments not affected by said Board's order. In making its award the War Board made the following recommendations:

"FINANCIAL RECOMMENDATION.

"This increase in wages will add substantially to the operating cost of the company and will require a reconsideration by the proper regulating authority of the fare which the company is allowed by law to collect from its passengers.

New Jersey Water Service Co.—Increased Rates.

In its petition, as hereinabove shown, it sets up the sum of \$32,585 as the proper amount of this reserve at December 31st, 1917. It would appear that the latter amount is the fair and reasonable amount which should be set up on the books of the company and proper entries on the books of account of the company should be made to set up the amount of \$32,585 in this reserve as of December 31st, 1917.

The Board therefore finds and concludes:

1. That the application of the Flemington Water Company for permission to issue \$10,000 or more of its capital stock as a stock dividend should be and is hereby denied.

2. That the application of the Flemington Water Company for permission to issue \$15,500 of its first mortgage 4½% gold bonds for the purpose of recouping the treasury for expenditures of capital account heretofore made of \$12,221 and \$3,300 proposed to be made, should be granted; subject, nevertheless, to proper reports of expenditures as required by Conference Ruling No. 7, and a certificate will so issue.

3. That the company should make appropriate entries on its books of account increasing, as of December 31st, 1917, the balance of \$28,531.12 in Account 216, Accrued Amortization of Capital, to the amount of \$32,585 as of that date.

Dated October 15th, 1918.

No. 625.

APPLICATION OF THE NEW JERSEY WATER SERVICE COMPANY
IN RE INCREASED RATES.

1. In applying for approval of an additional charge the petitioner submits, in lieu of an inventory, the value of its property as found by the Board in a prior proceeding involving a merger of certain utilities.

2. From the value new of fixed capital taken at \$351,469 an accrued depreciation reserve of \$43,551 is deducted and an addition of \$10,000 working capital is made.

New Jersey Water Service Co.—Increased Rates.

3. The revenue at present rates after meeting operating expenses and taxes, allowing for depreciation and a return of six per cent. on capital used and useful is \$5,830 less than the required sum.

4. If each of the company's 2,473 customers should pay a monthly fixed service charge of 20 cents or \$2.40 per year this would provide the relief required. This charge is allowed.

Theodore J. Grayson, for the petitioner.

F. B. Jess, for the Borough of Haddon Heights.

The petition alleges that owing to the unprecedented situation caused by the war the petitioner's operating expense has increased very greatly within the past year; the cost of fuel and labor having risen far beyond any previous figures, and that other expenses have increased accordingly.

That the war is still continuing, and there is no relief in sight from present high prices.

That under these circumstances it is absolutely necessary that the petitioner obtain an increase in rate in order to maintain proper and adequate water service for the community in which it operates.

That after careful consideration, the petitioner believes that the fairest method of increasing its rate is to put into effect a readiness-to-serve charge which will, of course, be additional to existing meter and flat rates and may be rescinded without disturbing the same when the conditions which have made it necessary shall have abated.

The petitioner asks, in view of the foregoing, that it may be allowed to put into effect, on May 1st, 1918, a readiness-to-serve charge applicable to each and every consumer, of \$3 per annum or 25 cents a month, payable at the end of each quarter, as a surcharge to the existing schedule of rates.

The matter was heard on September 17th, 1918.

An analysis of the proofs submitted in the record or contained in the annual reports of the petitioner, so far as they relate to the elements of the rate will now be given.

New Jersey Water Service Co.—Increased Rates.

I. CAPITAL USED AND USEFUL.

The company submitted, in lieu of an inventory at this time, the value of the property as found by the Board on merger of the Haddonfield Water Company, the United Water Company and the Camden Water Supply Company, effective as of May 1st, 1913. The total value new of the property at that time, net additions to December 31st, 1917, and for the eight months of 1918, and at August 31st, 1918, are shown in Table I, following:

TABLE I.
Showing Values of Property at Respective Dates.

	5-1-13— An. Rep.	Net Addns. 5-1-13 to 12-31-17.	12-31-17— An. Rep.	8 mos. '18— Ex. P. 4-A.	8-31-18.
Value of tangible fixed capital	\$218,657	\$82,426	\$301,083	\$6,755	\$307,838
Value of intangible fixed capital	42,877	754	43,631	.....	43,631
Value new of fixed capital	\$261,534	\$83,180	\$344,714	\$6,755	\$351,469
Accrued depreciation reserve,	38,965	4,586	43,551	.....	43,551
Present value for rates	\$222,569	\$78,594	\$301,163	\$6,755	\$307,918
Working capital 1918					10,000
Total					\$317,918
Taken as					\$318,000

Table I shows that the value new of the fixed capital at August 31st, 1918, is \$351,469, from which deducting the accrued depreciation reserve of \$43,551, leaves \$307,918 as the present value of fixed capital for the purpose of making rates. Adding working capital of \$10,000 to this, gives a total of \$317,918, which we will take at the even figure of \$318,000. A 6% return (legal interest) on \$318,000 amounts to \$19,080 per annum.

New Jersey Water Service Co.—Increased Rates.

II. OPERATING EXPENSES AND TAXES.

The company submitted in great detail its operating deductions for eight months of 1915, 1916, 1917 and 1918, both in amount and per thousand gallons of water sold. Based on these figures it estimated, in Exhibit P-6, that its operating expenses for the entire year would be \$23,200. This includes, however, a negative appropriation to general amortization of about \$1,500. Eliminating this makes a total of \$24,700, excluding appropriation to depreciation reserve. The cost of repairs to the company's distribution system for 1918, as shown in Account W-408, was abnormally large. The average *annual* distribution cost of repairs for the five years preceding 1918 was \$496. Adding 50% for increased cost of labor and material for this item would give us about \$750 as the fair annual cost of distribution repairs under present conditions. For eight months the company shows for Account W-408 an item of \$2,165, most of it being due to the abnormal number of services and mains frozen up during the past winter. This condition has now passed and we estimate that the excess in this amount is \$1,700, which, deducted from the subtotal of \$24,700, leaves the adjusted revenue deductions (without appropriation for depreciation) of \$23,000. Adding a moderate amount of 0.5% of \$350,000 as an appropriation for depreciation reserve, gives a total of \$24,750, adjusted operating expense and taxes for the year 1918. This amount appears to be a reasonable sum under existing financial conditions.

III. REVENUE REQUIRED TO EARN 6% ON CAPITAL USED AND USEFUL.

Table II brings together the elements constituting the revenue to which the company is entitled under the assumptions made.

New Jersey Water Service Co.—Increased Rates.

TABLE II.

Revenue Required to Earn Six Per Cent. on Capital Used and Useful.

Six per cent. on \$318,000 is	\$19,080
Operating expenses estimated by company (P-6)	\$23,200
Eliminate deficit in depreciation appropriation	1,500
Subtotal	\$24,700
Deduct excess in distribution repairs	1,700
Adjusted revenue deductions (without depreciation appro- priation)	\$23,000
Add for depreciation 0.5 per cent. of \$350,000	1,750
Adjusted operating expenses and taxes	24,750
Total revenue required to earn 6 per cent. on capital	\$43,830
Estimated revenue at present rates	38,000
Annual deficit on this basis	5,830
2,473 customers at \$2.40 provide a revenue of	59,351

Table II shows that the company may be expected to have an annual deficit on the basis assumed of \$5,830. On December 31st it had 2,473 customers. If each one of these customers should pay a monthly fixed service charge of 20 cents or \$2.40 a year, this would provide a revenue of \$5,935, which is approximately the amount of relief required.

The Board therefore finds and concludes:

1. That in the present abnormal times an emergency exists. That in order to render the public continuous, safe, adequate and proper service, the New Jersey Water Service Company will be required to raise additional revenue amounting to approximately \$5,830 annually.
2. That the fixed service charge of 25 cents a month, proposed by the company, will produce a revenue substantially 25% greater than said sum of \$5,830. For this reason the petition should be and is hereby dismissed.
3. That in order to produce this additional revenue, a war surcharge of 20 cents monthly, payable quarterly, for each connected customer, will provide this additional revenue.

Boonton Gas Light and Improvement Co.—Increased Rates.

4. The Board will therefore permit the company to file a schedule providing for a war surcharge in the form of a fixed monthly service charge of 20 cents for each connected customer, payable quarterly, effective from the date of this report; subject, nevertheless, to the following conditions:

5. Acceptance by the company of the increase herein allowed will be taken as a stipulation that abrogation or modification of the war surcharge may be made as and if conditions as indicated by operating results warrant.

6. Beginning at the effective date of said schedule of rates, the company is to render reports quarterly to the Board showing the Operating Revenues, Operating Deductions excluding General Amortization, Non-Operating Income, Income Deductions and balance available for Amortization, Dividends and Surplus and amount appropriated for General Amortization for each succeeding calendar month, with comparison with the figures for the corresponding month of 1917; and the Board will retain jurisdiction of the emergency or war surcharge as herein approved for the purpose of modifying or abrogating same as and if the conditions change.

Dated October 15th, 1918.

No. 626.

IN THE MATTER OF THE APPLICATION OF THE BOONTON GAS
LIGHT AND IMPROVEMENT COMPANY IN RE INCREASED
RATES.

1. In the present abnormal times an emergency exists and in order to render the public continuous, safe, adequate and proper service the Boonton Gas Light and Improvement Company will be required to raise additional revenue amounting to approximately \$3,675 on sales of 12,250,000 cubic feet of gas.

2. A war surcharge of 30 cents to be added to the existing rate of \$1.35 for domestic customers and a war surcharge of 12 cents for minimum monthly bills to be added to the existing minimum bill of 68 cents will produce this additional revenue.

Boonton Gas Light and Improvement Co.—Increased Rates.

J. R. Salmon, for the petitioner.

F. H. Pierce, for the Town of Boonton.

The petition alleges that the plant was constructed in the years 1901 to 1902 by contract, the contractor being paid \$80,000 in first mortgage 5% bonds and \$80,000 in the common stock of the company.

That in the interval between the original installation of the plant and December 31st, 1912, net additions to plant, costing \$4,380.91, were made, and since January 1st, 1913, further net additions to the amount of \$6,722.66 were made, the total additions since the original plant was built aggregating \$10,562.51 (correct sum is \$11,103.57).

That the net operating income for the year 1917 was \$1,253.13; that deductions from income amounting to \$4,325.79 caused a net corporate loss for the year 1917 of \$3,072.66.

That the reasons for the proposed increase in rate asked for are as follows: (1) The very largely increased cost of gas making materials and supplies, such as hard and soft coal and gas oil. (2) Increased labor costs.

That the petitioner, in the fifteen years of its existence, has never been able to operate at a profit and no dividend has ever been paid on its capital stock.

The petitioner asks the authority of the Board to increase the rate charged to its consumers of gas from \$1.35 per M. cu. ft. to \$1.65 per M. cu. ft., an increase of 30 cents per M. cu. ft., and to increase the monthly minimum charge from 68 cents to \$1.

At the first hearing of the matter, held on June 5th, 1918, the petitioner did not present an appraisal of its property in accordance with Conference Ruling No. 15, adopted by the Board. At an adjourned hearing, held on September 18th, such an appraisal of the property was submitted in evidence by the company's superintendent, Mr. Winder.

The elements entering into the rate will now be taken up.

Boonton Gas Light and Improvement Co.—Increased Rates.

I. CAPITAL USED AND USEFUL.

(a) *Tangible Fixed Capital.*

As recited in the petition and as shown by the books of the company as of December 31st, 1917, the fixed capital amounted to \$171,103.57. In the appraisal submitted by Mr. Winder, on behalf of the company, the value new of the tangible fixed capital, as of August 21st, 1918, at normal pre-war unit prices was estimated to be \$87,623.71. The present value of the fixed capital, depreciated on the straight line basis, was estimated by the witness to be \$74,458.63. An error in not depreciating overheads, however, reduced this latter amount to \$72,887.65.

(b) *Intangible Capital.*

The company's witness estimated substantially \$2,000 for organization expense, which appears to be a fair allowance. It is evident from a consideration of the history of this company that it has not provided a reserve for depreciation, nor has its revenue permitted it to make such provision. Depreciation of plant and property being a proper charge on the rates in order to preserve the property of the company intact, it appears to be reasonable to allow the amount of the unearned accrued depreciation as an intangible value, the total amount being \$14,756.06, which the Board will do in this instance. The sum of \$2,000 and \$14,736.06 is taken at the even amount of \$16,736.

(c) *Working Capital.*

The company claims for working capital the sum of \$3,000, which appears to be reasonable.

Table I brings together these three classes of property:

TABLE I.

Summary Value of Property Used and Useful.

Present value of fixed capital	\$72,888
Intangible value—Organization	\$2,000
Unearned depreciation	14,736
	<hr/> 16,736
Total fixed capital	\$89,624
Working capital	3,000
	<hr/>
Total value as proven (August, 1918)	\$92,624
Six per cent. interest on \$92,624 is taken as	\$5,557

Boonton Gas Light and Improvement Co.—Increased Rates.

This shows the total value of property used and useful to be \$92,624. Six per cent. interest on \$92,624, as shown in the table, is taken at \$5,557, this being legal interest on the amount of capital devoted to the service of the public.

II. OPERATING EXPENSES AND TAXES.

In Table II the operating expenses and taxes actually incurred by the company during the year 1917 are shown. In a parallel column is shown the Board's estimate of what the operating expenses will be, based on the evidence in the record, for the year 1918 for the same amount of gas sales, that is, 12,250,000 cubic feet.

TABLE II.

Operating Expenses and Taxes, 1917 Actual, 1918 Estimated.

P. U. C. Acc. No.	Items.	1917.	1918 Est'd.	Per M. Cu. Ft. Sold.
410	Wks., suptce., and labor...	\$2,099	\$2,200	.....
413	Boiler fuel	1,013 (xl. 373)	1,390	.....
417	Generator fuel	1,488 (xl. 224)	1,825	.....
418	Water gas oil	2,809 (xl. 34)	3,765	.....
420	Miscls. supplies and exp. ..	166	250	.....
430	Repairs at works	2,812	600	.....
<hr/>				
	I. Total production expense ..	\$10,567	\$10,030	\$0.8188
	II. Transmission & distribution,	1,713	600	0.0490
	III. Municipal street lighting...	319	319	0.0260
	IV. Commercial expense .....	.....	.....	.....
	V. New business	87	75	0.0061
	VI. General & miscellaneous....	2,146	2,250	0.1836
	Amortization ... ..	.....	900	0.0735
<hr/>				
	Total operating expense ...	\$14,652	\$14,174	\$1.1671
	Taxes	1,011	1,011	0.0825
	Uncollectibles .....	.....	.....	.....
<hr/>				
	Total operating expense ...	\$15.663	\$15.185	\$0.2396
	Gas sold		12,250 M. cu. ft.	

Boonton Gas Light and Improvement Co.—Increased Rates.

The boiler fuel, generator fuel and water gas oil have added to each of them the respective percentage of increase that 1918 prices show over the corresponding prices for 1917. With respect to repairs at works, however, the figure of \$2,812 shown in the operating expenses for 1917 is decidedly abnormal and shows that a great deal of deferred maintenance was taken care of in 1917. The total of such repairs for the preceding five years aggregates \$2,182. From this item, then, we take \$600, which will also take care of increased costs of labor and materials used in repairs. The same statement applies to transmission and distribution expense. The preceding five years indicate that \$1,713 is entirely an abnormal charge for this purpose, and, based on the previous experience of the company, \$600 is taken for this item. Municipal street lighting expense and new business expense are taken substantially the same as for 1917. General expense other than Account 495, General Amortization, is increased by about \$100. Heretofore the company does not appear to have made any charge to Account 495, "Amortization of Capital," from which to provide a reserve to take care of accruing depreciation. For this purpose the Board adds substantially 1% of the capital allowed as a charge for this purpose for the year 1918, it being understood that it is to be used for creating a reserve for replacements and for nothing else. The sum total of the operating expenses, as shown in Table II, estimated for the year 1918, is \$15,185, which is substantially \$1.24 on the average of all gas estimated to be sold (that is, 12,250,000 cubic feet). As it happens, it does not make any appreciable difference whether street lamp gas is included or excluded in this computation, as the amount of street lamp expense proper, per thousand cubic feet, about equals the difference between the wholesale cost of the gas and the retail cost of the gas, so in this report we will assume that \$1.24 is the reasonable amount to be taken to cover operating expenses and taxes for the year 1918. With respect to taxes, they are taken as shown in the company's report for the year 1917.

It appears from the testimony that practically all the general officers of this company have served without compensation.

Boonton Gas Light and Improvement Co.—Increased Rates.

III. REVENUE REQUIRED TO EARN 6% ON THE PROPERTY DEVOTED TO THE SERVICE OF THE PUBLIC.

Table III brings together the elements constituting the revenue which the company is entitled to earn in order to receive 6% on its property, as hereinbefore found.

TABLE III.

Revenue Required to Earn Six Per Cent. on the Property Devoted to the Service of the Public.

	Amount.	Per M. Cu. Ft.
I. Six per cent. return on \$92,624 (Table I.)	\$5,557	\$0.4536
II. Operating expenses and taxes (Table II.) estimated..	15,185	1.2396
Subtotal	\$20,742	\$1.6932
Less miscellaneous gas revenue estimated at	500	0.0481
Revenue required from sale of gas	\$20,242	\$1.6451

This table shows that a revenue for gas sales approximating \$20,242 is required on sales of 12,250,000 cubic feet of gas, which, to the nearest cent, is \$1.65. This is the rate petitioned for by the company. Neither the annual reports of the company nor the record furnish any basis for deriving a fixed monthly service charge and for that reason no fixed service charge has been developed by the Board in this case.

A statement submitted by the petitioner shows that the total gas operating revenues for the eight months from January 1st to August 31st, 1918, inclusive, were \$13,691.19; that the total gas operating revenue deductions were \$16,255.74; this shows that the net gas operating deficit was \$2,564.87 for these eight months.

The Board therefore finds and determines:

1. That in the present abnormal times an emergency exists and in order to render the public continuous, safe, adequate and proper service, the Boonton Gas Light and Improvement Company will be required to raise additional revenue amounting to approximately \$3,675 on sales of 12,250,000 cubic feet of gas.

Monmouth County Electric Co.—Increased Rates of Fare.

2. A war surcharge of 30 cents to be added to the existing rate of \$1.35 for domestic customers and a war surcharge of 12 cents for minimum monthly bills to be added to the existing minimum bill of 68 cents will provide this additional revenue.

3. The Board will therefore permit the company to file a schedule of rates providing for a war surcharge of 30 cents per thousand cubic feet to be added to the existing schedule for sales of gas to domestic metered customers and a war surcharge of 12 cents to be added to the existing minimum monthly bill of 68 cents, effective from the date of this report; subject, nevertheless, to the following conditions:

4. Acceptance by the company of the increases herein allowed will be taken as a stipulation that abrogation or modification of the war surcharges may be made as and if conditions as indicated by operating results warrant.

5. Beginning at the effective date of said schedule of rates, the company is to render reports monthly to the Board showing the Operating Revenues, Operating Deductions excluding General Amortization, Non-Operating Income, Income Deductions and balance available for Amortization, Dividends and Surplus and amount appropriated for General Amortization for each succeeding calendar month, with comparison with the figures for the corresponding month of 1917; and the Board will retain jurisdiction of the emergency or war surcharges as herein approved for the purpose of modifying or abrogating same as and if the conditions change.

Dated October 15th, 1918.

No. 627.

**IN THE MATTER OF THE APPLICATION OF MONMOUTH COUNTY
ELECTRIC COMPANY FOR INCREASED RATES OF FARE.**

An electric railway, being operated by a receiver, with revenues insufficient to pay operating expenses, taxes and interest on bonded indebtedness is permitted to increase its rates from five to six cents in each of its fare zones.

Monmouth County Electric Co.—Increased Rates of Fare.

John S. Applegate, for the petitioner.

Hearing held at Newark, October 9th, 1918.

The petitioner succeeded to the property and franchises of the Atlantic Highlands, Red Bank and Long Branch Electric Railway Company, and operates an electric railway in Monmouth County, extending from Long Branch through Eatontown and Red Bank to Rumson. The line between Long Branch and Red Bank was first constructed and later the additional line from Red Bank to Rumson was built.

Under certain municipal franchises, the charge between Long Branch and Red Bank was made in three zones with a fare of five cents each. The distance from Red Bank to Rumson was made one zone with a fare of five cents. In August, 1917, in order to meet jitney competition, the trolley company voluntarily reduced the fare from Long Branch to Red Bank to ten cents, where it had been charging fifteen cents, and made the fare from Red Bank to Eatontown and from Eatontown to the terminus in Long Branch five cents in each of said two zones. The mileage from the fountain in Red Bank to Rumson is 5.16; the mileage from the fountain in Red Bank to Eatontown is 4.54; the mileage from Eatontown to Second Avenue, Long Branch, is 4.22, making a total mileage operated by the company of about 13.92 miles.

The petitioner was adjudged insolvent by the United States District Court for the District of New Jersey, and Charles F. Sexton and William G. Boteler were appointed receivers of the company August 19th, 1916, and are still in control of the railway.

The present application is to increase the rate of fare as follows:

From fountain, Red Bank, to end of line at Rumson and intermediate points, from five cents to six cents;

From fountain, Red Bank, to Eatontown and intermediate points, from five cents to six cents;

From Eatontown to terminus at Second Avenue, Long Branch, and intermediate points, from five cents to six cents.

Monmouth County Electric Co.—Increased Rates of Fare.

The trolley road runs through the municipalities of Red Bank, Borough of Fair Haven, Borough of Rumson, Township of Shrewsbury, Township of Eatontown, Borough of West Long Branch and the City of Long Branch, all of whom were notified of the application for increased fare and no objection was made to the proposed increase at the hearing.

From the proofs before us, it appears that for several years the operating revenues have not been sufficient to meet operating expenses, interest and bonded debt and taxes; that no interest has been paid on the bonds of the company since July 1st, 1914.

An accounting made by the receivers shows the total revenue from all sources from April 20th, 1916, to April 1st, 1918, was \$155,613.25, and that the operating expenses alone during the said period were \$152,657.48, leaving \$2,955.77 to apply to bond interest, taxes and allowances to be made receivers and counsel.

It is estimated that the proposed increase in fare will increase the annual revenue of the company between \$16,000 and \$18,000. There will still be a deficit for operating expenses, which it is expected to make up by the increase in travel.

Upon the facts recited, the Board finds and determines:

(1) That, in the present abnormal times an emergency exists, and that in order to render the public safe, adequate and proper service, the Monmouth County Electric Company will be required to raise additional revenue to the amount of at least \$18,000 per annum, this being the maximum amount estimated by the petitioners to be produced by the proposed tariff and which estimate we find to be conservative.

(2) The Board will permit the receivers to file for the company as a war emergency tariff providing for a flat fare of six cents in each of the zones hereinbefore specifically defined, for each passenger over five years of age, on the following conditions:

(a) Acceptance by the receivers of the increase herein allowed will be taken as a stipulation that abrogation or modification of the war increase may be made as and if conditions as indicated by operating results warrant.

(b) The receivers shall promptly file with the Board for each calendar month, beginning with the month of November, 1918,

Monmouth County Electric Co.—Increased Rates of Fare.

during which the emergency surcharge is added to the rate schedule, a complete comparative income statement for 1917 and 1918 of its operations, showing revenue and revenue deductions, classified in accordance with the uniform system of accounts for street or traction railway utilities (first issue) prescribed by this Board, together with mileage, traffic and miscellaneous statistics as required on page 35 of the form of annual report now required to be filed by the Board.

(c) The Board will retain jurisdiction of the emergency war increases hereinabove approved for the purpose of modifying or abrogating same as and if the conditions change.

An order will accordingly issue.

Dated October 23d, 1918.

ORDER.

This matter having been duly heard, and the Board having this day made and filed a report stating its findings of fact and conclusions thereon, which report by reference thereto herein is made part hereof, hereby finds and determines that the existing rates of fare charged by the Monmouth County Electric Company are insufficient, and, subject to the conditions hereinafter named, hereby orders fixed as a just and reasonable war emergency tariff a flat fare of six cents in each existing zone where a five-cent fare is now charged for each passenger over five years of age; this charge to be collected by the receivers of said company only in event that prior to November 12th, 1918, the said receivers shall file said tariff and their acceptance thereof in writing upon the following conditions:

(a) Acceptance by the receivers of the war emergency tariff hereby made effective will be taken as a stipulation that abrogation or modification of the same may be made as and if conditions as indicated by operating results warrant.

(b) The receivers shall promptly file with the Board for each calendar month, beginning with the month of November, 1918, during which the war emergency tariff is in effect, a complete comparative income statement for 1917 and 1918 of its operations,

Atlantic City and Shore Railroad Co.—Approval of Increased Rates.

showing revenue and revenue deductions, classified in accordance with the uniform system of accounts for street or traction railway utilities (first issue) prescribed by this Board, together with mileage, traffic and miscellaneous statistics as required on page 35 of the form of annual report now required to be filed by the Board.

(c) The Board will retain jurisdiction of the war emergency tariff hereby fixed for the purpose of modifying or abrogating same as and if the conditions change.

This order shall become effective November 13th, 1918.

Dated October 23d, 1918.

No. 628.

IN THE MATTER OF THE APPLICATION OF THE ATLANTIC CITY
AND SHORE RAILROAD COMPANY FOR APPROVAL OF IN-
CREASED RATES.

An electric railway being operated by a receiver is allowed to increase its rates to provide for operating expenses, depreciation and taxes and to pay six per cent. on the present value of its property.

George A. Bourgeois and Clarence L. Cole, for the Receiver.

Harry Wootton, for the Borough of Longport and property owners of Margate and Ventnor.

On July 3d, 1918, in accordance with paragraph (a) of Section 17 of the Act Concerning Public Utilities, approved April 21st, 1911, the receiver of the Atlantic City and Shore Railroad Company filed a schedule of increased tariffs with the Board and gave notice that he would put the same into effect August 6th, 1918. The said proposed increase in tariffs affected the fare between Atlantic City and Longport as follows:

Atlantic City and Shore Railroad Co.—Approval of Increased Rates.

	Present Rate.	New Rate.
Local fare between any points from Inlet Loop, Atlantic City, to Savannah Avenue Loop, Margate City	\$0.05	\$0.06
Local fare between any points from Savannah Avenue Loop, Margate City, to Terminal Loop, Longport, N. J.	0.05	0.06
100-trip family book between Longport, N. J., and Atlantic City, N. J.	5.25	7.00

Subsequently, the petitioner modified the tariff for the 100-trip family book between Longport and Atlantic City by reducing the same to \$6.50 instead of \$7.

The petitioner alleges as the reason for the change in rates that operating expenses for 1918 over the corresponding items for 1917 would increase \$41,492.

The Atlantic City and Shore Railroad was incorporated under the general railroad act. The cars are operated over its tracks by electricity, but there is no ordinance in any of the municipalities through which it operates limiting the rate of fare to be charged by the company.

At the hearing on September 24th, Exhibit P-10, indicated operating expenses for the year would increase \$67,177, and that the new schedule of rates would produce an increased revenue of \$60,979 on the basis of 1917 business.

The proposed increase in fares was suspended pending an investigation by the Board. Hearings were held in Trenton July 23d, September 24th and October 15th.

The division of the Atlantic City and Shore Railroad Company affected by the proposed increase in rates extends from the Loop at Absecon Inlet, in Atlantic City, to Longport, New Jersey, and is operated by the receiver of the Atlantic City and Shore Railroad Company. The property is leased from the West Jersey and Seashore Railroad Company by an instrument dated June 28th, 1907. This lease grants the Atlantic City and Shore Railroad Company trackage rights over and the use of the tracks of the West Jersey and Seashore Railroad Company between Atlantic City and Longport and the same lease covers the boat lines of the latter company between Longport, Somers Point and Ocean City and all equipment.

Atlantic City and Shore Railroad Co.—Approval of Increased Rates.

I. VALUE NEW AND PRESENT OR DEPRECIATED VALUE OF THE ATLANTIC CITY AND LONGPORT DIVISION OF THE ATLANTIC CITY AND SHORE RAILROAD COMPANY.

(Omitting Floating Equipment and Docks.)

The fair revenue to which the receiver is entitled will be ascertained, not by taking into consideration the terms of the lease, but by ascertaining a reasonable return on the fair value of the property under the war conditions now existing and adding thereto the estimated abnormal operating expenses, including an appropriation for depreciation, and the taxes imposed upon the company. This will render unnecessary a consideration of whether the terms of the lease are equitable or not.

In Exhibits P-3, P-5 and P-6 the petitioner submitted an inventory and valuation of the property of the Atlantic Avenue and Longport Division of the railway and of the steamboat property affording service between Longport and Ocean City, aggregating \$2,283,995, value new. This value is arrived at by taking as the value for the real estate the amount placed on the same by the State Board of Taxes and Assessment in the year 1915 and by taking book costs of property aggregating the sum of about \$600,000 and the rest by estimating the value on the basis of unit costs prevailing in or prior to the year 1915. This valuation includes \$150,000 paid Atlantic City for the cancellation of a contract requiring the delivery to the city of large amounts of gravel under the terms of ordinance provision, but the valuation does not contain such overheads as interest and taxes during construction or organization and development values.

Assuming that the appraised value new of the property is \$2,293,995, the sum of \$73,121 is deducted as the value of floating equipment and of the docks, leaving \$2,210,874 as the value of the property in the Atlantic Avenue and Longport Division.

On page 17 of the testimony of October 15th, 1918, F. J. Fell, Jr., comptroller of the Pennsylvania Railroad Company and the West Jersey and Seashore Railroad Company (the latter being

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the lessor of the division in question to the Atlantic City and Shore Railroad Company), testified that the accrued depreciation reserve as shown by the books of the company, amounts to substantially \$300,000. Deducting this reserve from the value new of \$2,210,874, leaves \$1,910,874 as the net depreciated or present value of the property. For the purpose of this emergency rate only the Board will accept this valuation without having the quantities verified on the spot by its own engineer.

II. REVENUE DEDUCTIONS.

(Operating Expenses, Appropriation for Depreciation, and Taxes.)

Exhibit P-2, submitted by the petitioner, shows the revenue deductions with respect to the operation of both the railway and of the boat line. As we are concerned in the instant petition with the railway property only, this has been rearranged in Table I and shows the operating revenue, revenue deductions and operating income both for the railway and for the steamboat property, and also shows non-operating income and gross corporate income of the division arising from the operation of both the railway and the boat line. For the years 1913 to 1917, inclusive, are given results of the actual operation. In the column for 1918 are shown the estimated figures for 1918 based on the testimony. This shows that the estimated railway revenue for 1918 would be, on the basis of 1917 business, \$493,360, and that the estimated operating expenses other than depreciation appropriation, will be \$304,394. Using the same amount for depreciation as appropriated in 1917; \$42,250, a total for operating expenses for the railway of \$346,644 is arrived at. Adding railway taxes of \$32,051 (omitting paving assessment of \$5,000 no longer required to be paid) gives total revenue deductions for the railway of \$378,695, which, deducted from the estimated railway operating revenues of \$493,360, leaves an indicated operating income from the railway of \$114,665. Table I follows:

Atlantic City and Shore Railroad Co.—Approval of Increased Rates.

TABLE I.—INCOME STATEMENT—ATLANTIC AVE. AND LONGPORT DIVISION AND STEAMBOAT LINE.

Exhibit P-2 Rearranged.	Railway Operation.					1918 Based on 1917 Plus Increase.	
	Operating revenues, railway—	1913.	1914.	1915.	1916.	1917.	
(1)	Passenger revenue	\$456,946	\$447,304	\$284,852	\$273,134	\$403,723	.....
	Other revenue	4,429	7,219	10,104	9,098	8,658	.....
	Total revenue, railway	\$461,375	\$454,623	\$294,956	\$282,232	\$412,381	\$493,360
	Operating expenses and taxes, railway—						
	Operating expenses, omitting de- preciation	\$248,649	\$239,730	\$183,155	\$275,878	\$237,217	\$304,394
	Depreciation appropriation	35,145	35,146	42,250	42,250	42,250	42,250
	Operating expenses, railway	\$283,794	\$274,876	\$225,405	\$218,128	\$279,467	\$346,644
	Taxes, railway	19,596	22,492	23,523	30,580	32,051	32,051
	Paving assessment, railway; last payment completed in 1917	5,000	5,000	5,000	5,116	5,000	.....
(2)	Total revenue deductions, railway,	\$309,390	\$302,368	\$253,928	\$253,824	\$316,518	\$378,695
(1)-(2)-(3)	Railway operating income	\$152,985	\$152,165	\$41,028	\$28,408	\$95,863	\$114,665
Boat Line Operation.							
(4)	Operating revenue	\$9,804	\$9,377	\$9,470	\$9,769	\$10,827	.....
	Operating expenses and depreciation ...	13,698	12,320	14,966	14,327	12,614	.....
	Taxes	912	971	735	778	816	.....
(5)	Boat deductions from revenue	\$14,610	\$13,291	\$15,701	\$15,105	\$13,430	.....
(4)-(5)-(6)	Boat operating income (Loss *)	*\$4,806	*\$3,914	*\$6,231	*\$5,336	*\$2,603	*\$2,603
(3)-(6)-(7)	Operating income, railway and boat line,	\$148,179	\$148,341	\$34,797	\$23,072	\$93,260	\$112,062
(8)	Non-operating income	13,998	14,620	3,057	325	1,229	1,229
(7)-(8)-(9)	Gross corporate income for division ...	\$162,177	\$162,861	\$37,854	\$23,397	\$94,489	\$113,291

Atlantic City and Shore Railroad Co.—Approval of Increased Rates.

III. REVENUE REQUIRED TO RETURN 6% ON THE DEPRECIATED VALUE OF RAILWAY PROPERTY DEVOTED TO THE PUBLIC USE.

This will be arrived at by assuming that 6% is to be earned on the present value of the property, to which will be added the revenue deductions as hereinabove set forth.

Table II, following, will show a recapitulation of those items.

TABLE II.—REVENUE REQUIRED TO RETURN SIX PER CENT. ON THE DEPRECIATED VALUE OF RAILWAY PROPERTY DEVOTED TO THE PUBLIC USE.

Six per cent. on \$1,910,874, present value of property is.....	\$114,652
Operating expenses for 1917 were (Table II.)	\$237,217
Operating expenses for 1918 will increase (P-10)	67,177
Operating expenses for 1918 so indicated	\$304,304
Depreciation appropriation same as for 1917	42,250
Total railway operating expenses for 1918	\$346,644
Taxes, railway, same as for 1917	32,051
Paving assessment	
Railway revenue deductions	379,695
Total revenue required	\$493,347

Table II indicates that the corporate income from the division should be \$493,347 on the basis assumed. The receiver's estimate of the revenue to be produced by the new tariff, assuming that the traffic for 1917 will be maintained in 1918, is \$493,300. It is therefore apparent that the tariff as filed will produce approximately 6% on the depreciated value of the property. This takes no account, however, of the fact that the trend of the cost of labor and materials appears to be upward, nor of the further fact that increases in rates do not usually increase revenue in the same percentage.

The net revenues of about \$95,000 derived from the operations of the railway and the boat line in 1917, were divided between the lessor and the lessee on the basis of substantially 80% to the lessor and 20% to the lessee. The appropriation for depreciation

Atlantic City and Shore Railroad Co.—Approval of Increased Rates.

included in the operating expenses of the lessee under I. C. C. rules as interpreted by the lessee's accountant, were paid over to the local company, which is charged with the replacement of property retired from the service. As stated heretofore, however, the Board is not particularly concerned in this case with the *apportionment* of the total revenue from operation, as the provisions of the lease have not been considered necessary in deriving the total revenue which should be obtained by the receiver to continue so operating the road under the conditions as to afford safe, adequate and proper service.

From the evidence and record the Board is satisfied that the new tariffs filed by the petitioner on July 3d, 1918, are just and reasonable. The Board accordingly hereby approves the said increase; subject, nevertheless, to the following conditions:

(a) The increase herein allowed will be taken as a war increase and may be abrogated or modified as and if conditions indicated by operating results warrant.

(b) The receiver shall promptly file with the Board for each calendar month, beginning with the month of November, 1918, during which the emergency surcharge is added to its rate schedule, a complete comparative income statement for 1917 and 1918 of its operation, showing revenue and revenue deduction, classified in accordance with the uniform system of accounts for street or traction railway utilities (first issue) prescribed by this Board, together with mileage, traffic and miscellaneous statistics as required on page 35 of the form of annual report now required to be filed by the Board.

(c) The Board will retain jurisdiction of the emergency or war increase as herein approved for the purpose of modifying or abrogating same as and if the conditions change.

The order of the Board suspending the proposed increase in fares is hereby revoked.

Dated October 29th, 1918.

People's Water Co. of Phillipsburg, N. J.—Issue of Stock.

No. 629.

**IN THE MATTER OF THE APPLICATION OF THE PEOPLE'S WATER
COMPANY OF PHILLIPSBURG, NEW JERSEY, TO ISSUE
\$91,630 OF CAPITAL STOCK AS A STOCK DIVIDEND.**

1. In considering an application by a water company for approval of an issue of \$91,630 capital stock as a stock dividend, the investment cost of the company's property is found to be \$443,114.15. From this \$139,701.26 is deducted as accrued depreciation. An addition of \$7,068.50 is made for materials and cash on hand and consumers' accounts receivable, making a total of \$310,481.39.

2. Deductions of \$100,000 for bonds and \$108,370 for stock outstanding and of \$10,000 estimated for other liabilities show an excess of investment over bonds and stock issued and outstanding of \$92,111.39.

3. It appears that the company is operated economically and that its rates for water service, *prima facie*, are not unreasonable.

4. While the surplus exceeds the amount of stock proposed to be issued, approval should not be given to the issuance of the full amount as a stock dividend, for the reason that during these abnormal times there should remain a larger amount of property represented by free surplus.

5. The sum of \$60,000 is fixed as a fair amount for stock to be issued under the application. The net corporate income for the year 1917 and the estimated net corporate income for the year 1918 indicate there will be ample funds to pay bond interest and that the company's revenue will undoubtedly be sufficient to insure reasonable dividends on the total stock issue.

William H. Walters, for petitioner.

Application is made by the People's Water Company of Phillipsburg for the approval of an issue of 9,163 shares of capital stock, of the par value of \$10 each, amounting to \$91,630, representing assets of the company, against which securities have not been issued heretofore and to distribute the same, or the proceeds thereof, to the stockholders.

Hearings were held September 24th and October 16th, 1918. The company called as witnesses John O. Carpenter, its secretary, who has been associated with the company since 1880, and its president and superintendent, E. G. Stryker, who has been connected with the company for about thirty-one years.

People's Water Co. of Phillipsburg, N. J.—Issue of Stock.

The history of the company and plant shows:

The company was incorporated July 9th, 1885, with a capitalization of \$100,000. Its plant was constructed pursuant to contract made with S. B. Mutchler & Bros., contractors. The capital stock was increased June 13th, 1912, from \$100,000 to \$200,000. The capital stock is divided into 20,000 shares of the common stock of the par value of \$10, of which there are issued and outstanding 10,837 shares, equivalent to \$108,370. A mortgage dated January 1st, 1913, covering all the real estate, personal property and franchises of the company, was given to secure an issue of bonds to the amount of \$200,000, of which \$100,000, bearing interest at the rate of 5% per annum have been issued, with the approval of this Board.

The following dividends have been paid by the company during the years of its existence:

1885 to 1892—none.
1893 to 1897, inclusive—4% annually.
1898 to 1900, inclusive—5% annually.
1901 to 1905, inclusive—6% annually.
1906 to 1917, inclusive—10% annually.

It appears from the records of the Board that a certificate dated May 28th, 1912, was issued approving a proposed issue of \$108,920 par value of stock, and that a certificate was issued on December 3d, 1912, approving the issue of \$200,000 in bonds, "the proceeds to be used for the purpose of contemplated improvements and the future development of the plant." The annual reports of the petitioner to this Board and the proofs in the pending proceeding show that up to the present time the company has issued \$17,290 of stock at par and \$100,000 bonds out of the total amount authorized in 1912.

The company desires to have the stock of which approval is now asked, take the place of any further issue of stock or bonds, under the approval certificates of May 28th, 1912, and December 3d, 1912, respectively.

On a basis of actual figures to October 1st, 1918, and estimated items for October, November and December, 1918, the estimated total receipts for the year 1918 will amount to \$60,516.51. Ac

 People's Water Co. of Phillipsburg, N. J.—Issue of Stock.

According to the testimony, after paying operating charges, taxes, bond and note interest, and setting aside \$9,800 for depreciation, there would be a balance of \$11,812.90 available, of which \$10,837 is to be used to pay a 10% dividend on November 1st, 1918.

The gross corporate income for the year 1917, after allowance of \$9,852.69 for depreciation, was \$24,050, of which amount \$5,068.64 was paid for interest on funded debt and other interest items.

The company submitted an inventory and appraisement of its property as of December 31st, 1917, made up as follows:

Actual cost of property installed, total fixed capital December 31,	
1917	\$442,613.58
Materials and supplies	4,306.51
Cash	851.05
Consumers' accounts receivable	1,651.17
<hr/>	
Total	\$449,422.31

This was verified by witnesses.

The sum of \$442,613.58 includes the actual cost of the original plant and the costs of additions and extensions made by the company with its own employes subsequent thereto, up to December 31st, 1917. This agrees with the amount given in the company's 1917 annual report for fixed capital, and the total sum of \$449,422.31 also agrees with the total assets shown in the general balance sheet in the company's 1917 annual report to this Board.

The Board's inspectors checked the inventory and appraisement, and all the items appear to be proper capital charges, with these exceptions:

1898	New roof	\$1,183.00
1904-5	Removing pump	15.00
	Flange	15.39
1904	Valve	1.07
	New pump	516.15

It was questioned whether or not these items were repairs charged to capital account. Satisfactory testimony, however, was offered, showing that all the items were proper capital charges,

People's Water Co. of Phillipsburg, N. J.—Issue of Stock.

except that there should be a deduction of \$394.33 from the roof account, for the value of the old roof. The original cost prices, as shown on the company's inventory, have been examined; unit prices computed and the cost of acquiring the property appears to be reasonable. At the last hearing the company submitted figures showing additions to the capital account for the year 1918 to October 1st, 1918, of \$894.90, making the total costs of property installed—total fixed capital as of October 1st, 1918, as per the company's books, as follows:

Fixed capital December 31, 1917	\$442,613.58
Additions January 1, 1918, to October 1, 1918	894.90
Total (book cost)	<u>\$443,508.48</u>

In cases of this character the actual cost of the property installed, less accrued depreciation, exclusive of intangible values not represented by actual expenditures, is the important factor to be considered. This, in the Board's opinion, is the fair basis on which approval should be given for issues of stock for reimbursement for plant additions and extensions.

The company's annual report for 1917, general balance sheet, liability side, shows the following:

Liabilities—Funded debt	\$100,000.00
Interest accrued	2,587.50
Dividends declared	56.70
Notes payable	7,000.00
Accrued amortization of capital	132,351.26
Capital stock	108,370.00
Corporate surplus	99,056.85
Total	<u>\$449,422.31</u>

In allowance for current assets, we find no evidence as to the amount of materials and supplies on hand October 1st, 1918, and have taken \$4,306.51, this being the amount set forth in the inventory and appraisement and also in the annual report of 1917. We consider this to be a fair allowance for this item. The testimony shows customers' accounts receivable as of October 1st, 1918, to be \$1,229.55. Cash on hand as of October 1st, 1918,

 People's Water Co. of Phillipsburg, N. J.—Issue of Stock.

after setting apart \$10,837 for a 10% dividend to be paid November 1st, 1918, was \$1,532.34. No testimony was produced showing any change in the minor liabilities, totaling \$9,644.20, in the 1917 annual report general balance sheet. We have accordingly approximated the same at \$10,000. The accrued amortization of capital account as of December 31st, 1917, shows \$132,351.26. To this we have added a proportional amount of \$7,350, being 9/12ths of \$9,800, set apart for depreciation for the year 1918.

The Board accordingly finds as a basis for determining this application as of October 1st, 1918, as follows:

Investment cost new of company's property as per company's books as of December 31, 1917	\$442,613.58
Deduction for roof item	394.33
	<hr/>
Investment cost new of company's property December 31, 1917...	\$442,219.25
Additions January 1, 1918, to October 1, 1918	894.90
	<hr/>
	\$443,114.15
Accrued depreciation as of December 31, 1917	\$132,351.26
Depreciation to October 1, 1918	7,350.00
	<hr/>
	\$139,701.26
Total accrued depreciation as of October 1, 1918	139,701.26
	<hr/>
	\$303,412.89
Allowance for current assets—	
Materials and supplies	\$4,306.51
Cash	1,532.44
Consumers' accounts receivable	1,220.55
	<hr/>
	7,068.50
	<hr/>
	\$310,481.39
<i>Deductions.</i>	
Estimated other liabilities as of October 1, 1918	\$10,000.00
	<hr/>
Present value as a basis for security issues	\$300,481.39
<i>Further Deductions.</i>	
Due for bonds and stocks issued and outstanding—	
Bonds	\$100,000.00
Stock	108,370.00
	<hr/>
	208,370.00
	<hr/>
Excess of investment over bonds and stock issued and outstanding,	\$92,111.39

People's Water Co. of Phillipsburg, N. J.—Issue of Stock.

It appears that the company is operated economically and that its rates for water service prima facie are not unreasonable.

While the surplus exceeds the amount of stock proposed to be issued, it is the opinion of the Board that approval should not be given to the issuance of the full amount, especially as a stock dividend, for the reason that during these abnormal times there should remain a larger amount of property represented by free surplus.

Under all the circumstances, we fix \$60,000 as a fair amount of stock to be issued under this application. The net corporate income for the year 1917 and the estimated net corporate income for the year 1918 indicate that there will be ample funds to pay bond interest, and the company's revenue will undoubtedly be sufficient to insure reasonable dividends on a total stock issue of \$168,370.

The Board, therefore, will approve the issue by the petitioner of \$60,000 of its capital stock to reimburse it for the additions and betterments to plant and system not heretofore capitalized, with the understanding that its books of account shall be made to reflect the findings as to capital and the accrued depreciation thereon above set forth, and at the same time it will modify the certificate of this Board dated May 28th, 1912, approving a proposed issue of common stock for \$108,920, and the certificate dated December 3d, 1912, approving the issue of bonds for \$200,000, by canceling the approval of \$91,630 par value of stock in the certificate of May 28, 1912, and by canceling the approval of \$100,000 bonds specified in the certificate of December 3d, 1912.

The certificate of May 28th, 1912, as modified, will therefore approve the issue of stock to the par value of \$17,290, and the certificate of December 3d, 1912, as modified, will approve the issue of \$100,000 in bonds, all of which has heretofore been issued.

Appropriate certificates will issue in accordance with this report.

Dated October 29th, 1918.

Ocean City Sewer Co.—New Schedule of Rates—Rehearing.

No. 630.

IN THE MATTER OF THE OCEAN CITY SEWER COMPANY IN RE
NEW SCHEDULE OF RATES—REHEARING.

On April 19th, 1918, the Ocean City Sewer Company filed a petition asking the approval of this Board for a new schedule of rates. The following paragraph, relating to special service, was included in this schedule, viz.:

“Special service, not rated above, at such rates as may be agreed upon between the company and the owner.”

In its report, dated June 13th, 1918, the Board permitted the entire schedule of rates as filed to go into effect, including the paragraph relating to special service as cited.

During the course of the original hearing, the chairman and the engineer of the Board criticised the rule, but, inadvertently, it was permitted to go into effect with the schedule.

Under date of August 14th, 1918, the company made application to have this rule with respect to special service modified in accordance with the views expressed during the hearing by the chairman and the Board's engineer, so as to read as follows:

“Special service, not rated above, at such rates as may be determined by the company with due regard to the demands of such service; said rates not to be discriminatory nor preferential.”

In the opinion of the Board, the last quoted rule is preferable and should be substituted for the rule in the original schedule, and as hereinabove quoted.

The Board therefore finds and determines:

1. That the company may withdraw from the schedule as filed on April 9th, 1918, the rule reading as follows:

“Special service, not rated above, at such rates as may be agreed upon between the company and the owner,”
and substitute therefor a rule with respect to special service reading as follows:

Monmouth Lighting Co.—Increase in Power Rates.

“Special service, not rated above, at such rates as may be determined by the company with due regard to the demands of such service; said rates not to be discriminatory nor preferential,”

upon condition that it will file in duplicate with the secretary of the Board, in each and every instance, special rates for special services which may hereafter be put into effect by it; such filing to be made within ten days after formulating such rate or rates.

Dated October 29th, 1918.

No. 631.

MONMOUTH LIGHTING COMPANY—INCREASE IN POWER RATES.

An electric utility, not receiving sufficient revenue to pay its operating expenses and taxes is allowed to increase its rates to users of power.

C. L. S. Tingley, for the petitioner.

H. A. Brown, Mayor, for Borough of Highland.

George J. Creigen, for Creigen Brick Company.

The petitioner alleges that it furnishes electricity for light and power in the City of South Amboy, in the Townships of Sayreville and Middlesex, County of Middlesex, and in the Boroughs of Keyport, Matawan, Keansburg, Highlands, Freehold, English-town and Farmingdale, and the Townships of Middlesex, Raritan, Holwick, Middletown, Marlboro, Manalapan, Freehold and Howell, in the County of Monmouth, and that notice has been given to these municipalities by service of copies of the petition, and that notice by publication in the newspapers has been given to all power consumers of this petition.

The petitioner proposes to increase the wholesale power rates to large power consumers from the rates now effective in the tariff

Monmouth Lighting Co.—Increase in Power Rates.

issued June 20th, 1917, contained in Group A, Schedule 5, and Group G, Schedule 3 thereof, to the rates contained in Group A, Schedule 5, first reissue, for wholesale power rates for large power consumers, and to impose a surcharge of 25% on the net bill of all retail power customers under Group B, Schedule 3; Group C, Schedule 2; Group D, Schedule 2; Group E, Schedule 2; Group F, Schedule 2, and Group G, Schedule 2, the latter groups being the schedule of rates for retail power customers.

The company alleges it is confronted with an increased demand for power, and that its present income is insufficient to meet its operating expenses.

The schedule of rates proposed to be increased is as follows:

GROUP A. Schedule No. 5. First Reissue.

WHOLESALE POWER RATES FOR LARGE POWER CONSUMERS.

RATE—BLOCK HOPKINSON DEMAND.

Demand Charge.

\$2.00 per K. W.	first	150 K. W.
1.80 per K. W.	next	150 K. W.
1.60 per K. W.	excess.	

Plus an Energy Charge.

3c. K. W. H.	first	3,000 K. W. H.
2c. K. W. H.	next	7,000 K. W. H.
1c. K. W. H.	excess.	

Determination of Demand.

By inspection.

70% of connected load in one motor.

60% in two or more motors aggregating 50 H. P. or less.

50% when over 50 H. P.

Either party may require demand instrument to be used where the connected load is over 50 H. P., in which case highest fifteen minute interval day by day and average per month is used.

Power Factor.

The company reserves the right to test the power factor of the consumer's load, and if the average power factor is lower than eighty (80) per cent., then the monthly kilowatt demand shall be corrected and determined in accordance with the formula: Kilowatt demand as measured, divided by the average power factor of load, multiplied by the allowable (80 per cent.) power factor of load. By power factor is meant the average power factor under normal operating conditions.

Monmouth Lighting Co.—Increase in Power Rates.

The frequency of inspection to determine power factor of consumer's load shall be dependent on the size and character of the connected load, and the company will make tests sufficient in number to properly determine such power factor.

Coal Clause.

Once a month the company will ascertain the average price paid by it for the coal and the kilowatt hours delivered to consumer during the preceding calendar month, and if the average price of anthracite No. 3 buckwheat coal or its equivalent, delivered to the company's main generating station at Florence avenue, Keyport, exceeds two dollars and thirty-five (\$2.35) cents per gross ton, the consumer shall pay to the company upon demand and in addition to all other payments required to be paid by it hereunder, one-tenth of a mill ($1/10$) per kilowatt hour for each increase of five (5c.) cents per gross ton in said average price; and if the average price is less than two dollars and thirty-five (\$2.35) cents per gross ton the consumer will be credited with one-tenth of a mill ($1/10$) for each kilowatt hour for each decrease of five cents (5c.) in said average price.

Surcharge.

A surcharge of twenty-five (25%) per cent. of the net bill shall be made.

Prompt Payment Discount.

None.

Primary Discount.

Five per cent when energy is measured at the high tension voltage delivered to consumer, provided the consumer owns and maintains the step down transformers and switching devices.

Minimum Charge.

The Demand Charge but not less than scheduled price for connected load in H. P., which is as follows:

\$1.00 per H. P.	first 10 H. P. of connected load.
0.75 per H. P.	next 10 H. P. of connected load.
0.50 per H. P.	excess.

No minimum charge less than \$60.00.

Term of Contract.

One year and thereafter until terminated by thirty days' written notice. May require longer term contract where line extension is necessary.

Availability.

Large power users. Lighting shall be furnished at the power rates provided that such lighting does not exceed either 25 per cent. of the connected load or 25 per cent. of the total demand.

Monmouth Lighting Co.—Increase in Power Rates.

SURCHARGE RIDER ON RETAIL POWER RATES.

To be applied to the following schedules—

Group B	Schedule 3
Group C	Schedule 2
Group D	Schedule 2
Group E	Schedule 2
Group F	Schedule 2
Group G	Schedule 2

A surcharge of 25 per cent. to be made on all net bills except where the application of such surcharge produces a rate in excess of ten cents per kilowatt hour when only such portion of surcharge will be applied as will raise the net rate to ten cents per kilowatt hour.

The present schedule of rates in the groups proposed to be increased is as follows:

GROUP A. Schedule 5.

Rate.

The following schedule comprises rates regulated by the number of K. W. H. consumed during the month.

First	5,000 K. W. H. per month	.....	3c.	per K. W. H.
Next	5,000 K. W. H. per month	.....	2c.	per K. W. H.
Next	10,000 K. W. H. per month	.....	1¾c.	per K. W. H.
Next	10,000 K. W. H. per month	.....	1½c.	per K. W. H.
All over	30,000 K. W. H. per month	.....	1¼c.	per K. W. H.

Coal Clause.

Once a month the company will ascertain the average price paid by it for coal and the kilowatt hours delivered to consumer during the preceding calendar month, and if the average price of anthracite No. 3 buckwheat coal or its equivalent, delivered to company's main generating station at Florence avenue, Keyport, exceeds two dollars and thirty-five (\$2.35) cents per gross ton, the consumer shall pay to company upon demand and in addition to all other payments required to be paid by it hereunder, one-tenth ($1/10$) of a mill per kilowatt hour for each increase of five (5c.) cents per gross ton in said average price; and if the average price is less than two dollars and thirty-five (\$2.35) cents, per gross ton, the consumer will be credited with one-tenth ($1/10$) of a mill per kilowatt hour for each decrease of five (5c.) cents in said average price.

Payment of Bills.

All bills rendered for electric service under this rate are due and payable when rendered without discount at the main office or branch offices of the company.

Monmouth Lighting Co.—Increase in Power Rates.

Minimum Charge.

The minimum monthly charge shall be based on the rated horse power connected and shall be \$1.00 per month per horsepower for the first ten horsepower connected; 75 cents per month per horsepower for the next ten horsepower, and 50 cents per horsepower for all horsepower connected over and above 20 horsepower. The minimum monthly charge for installation less than 100 horsepower shall be \$60.00.

Term.

Contract for current under this schedule will not be made for a period less than one year.

Character of Service.

This schedule is available for power purposes where no special service requirements are necessary. This rate also includes industrial lighting equivalent to 25 per cent. of that consumed for power.

GROUP G.

Schedule No. 3.

WHOLESALE POWER RATE FOR LARGE CONSUMERS.

Rate.

The following schedule comprises rates regulated by the number of K. W. H. consumed during the month.

First	1,500 K. W. H. per month	.....	4c.	per K. W. H.
Next	3,500 K. W. H. per month	.....	3c.	per K. W. H.
Next	5,000 K. W. H. per month	.....	2c.	per K. W. H.
Next	10,000 K. W. H. per month	.....	1¾c.	per K. W. H.
Next	10,000 K. W. H. per month	.....	1½c.	per K. W. H.
All over	30,000 K. W. H. per month	.....	1¼c.	per K. W. H.

Coal Clause.—Same as in Group A, Schedule 5.

Payment of Bills.—Same as in Group A, Schedule 5.

Minimum Charge.—Same as in Group A, Schedule 5.

Term.—Same as in Group A, Schedule 5.

Character of Service.

This schedule is available for power purposes where no special service requirements are necessary. This rate also includes industrial lighting equivalent to 10 per cent. of that consumed for power.

Monmouth Lighting Co.—Increase in Power Rates.

GROUP C. Schedule No. 2.

POWER RATES FOR ALL-YEAR CONSUMERS.

Rate.

The following schedule comprises rates regulated by the number of K. W. H. consumed during the month.

K. W. H.	Rate per K. W. H.
1 to 100 kilowatts	7½c.
101 to 200 kilowatts	7c.
201 to 400 kilowatts	6½c.
401 to 600 kilowatts	6c.
601 to 800 kilowatts	5½c.
801 to 1,000 kilowatts	5c.
1,001 to 2,000 kilowatts	4c.
2,000 and over kilowatts	3c.

Minimum Charge.—Same as in Group B, Schedule No. 3.

Discount.—Same as in Group B, Schedule No. 3.

Term.

Contract for current under this schedule will be made for not less than one year.

Contract.—Same as in Group B, Schedule No. 3.

Character of Service.

This schedule is available for power services of single phase installations from 1 horsepower to 5 horsepower inclusive and for polyphase installations of a total connected load of not less than 5 horsepower.

GROUP D. Schedule No. 2.

COMMERCIAL POWER RATE FOR ALL-YEAR CONSUMERS.

Rate.

The following schedule comprises rates regulated by the number of K. W. H. consumed during the month.

K. W. H.	Rate per K W. H.
1 to 100 kilowatts	7½c.
101 to 200 kilowatts	7c.
201 to 400 kilowatts	6½c.
401 to 600 kilowatts	6c.
601 to 800 kilowatts	5½c.
801 to 1,000 kilowatts	5c.
1,001 to 2,000 kilowatts	4c.
2,000 and over kilowatts	3c.

Monmouth Lighting Co.—Increase in Power Rates.

Discount.

All bills rendered for electric service under this rate are due and payable when rendered at the main office or any branch office of the company and if payment is made on or before the tenth day from the date on which bill is rendered, a discount of 5 per cent. will be allowed on the amount of the bill for electric current consumed during the month.

Term.—Same as in Group E, Schedule 2.

Contract.—Same as in Group E, Schedule 2.

Character of Service.—Same as in Group E, Schedule 2.

GROUP G.

Schedule No. 2.

COMMERCIAL POWER RATE FOR ALL-YEAR CONSUMERS.

Rate.

The following schedule comprises rates regulated by the number of K. W. H. consumed during the month.

First 100 K. W. H. per month	9½c.	Gross per K. W. H.
Next 200 K. W. H. per month	8c.	Gross per K. W. H.
Next 300 K. W. H. per month	7c.	Gross per K. W. H.
Next 400 K. W. H. per month	6c.	Gross per K. W. H.
All over 1,000 K. W. H. per month	5c.	Gross per K. W. H.

Minimum Charge.—Same as in Group F, Schedule 2.

Discount.—Same as in Group F, Schedule 2.

Term.—Same as in Group F, Schedule 2.

Contract.—Same as in Group F, Schedule 2.

Character of Service.—Same as in Group F, Schedule 2.

The matter was heard on October 23d, 1918. The company submitted appraisals of its Fixed Capital, as of July 15th, 1918, as follows:

Value (reproduction new) of tangible property	\$861,249.42
Value of intangible property	16,985.16
Value (reproduction new) total	\$878,234.58
Accrued depreciation	130,446.46
Present depreciated value of property	\$747,788.12
Working capital	40,000.00
Present depreciated value of all property	\$787,788.12
Bond discount (a suspense item)	26,647.33

Monmouth Lighting Co.—Increase in Power Rates.

The Fixed Capital contains items such as supplies, usually classed as working capital. While, in the Board's opinion, certain of the overheads and unit prices included in these appraisals are high, in this emergency proceeding to consider rates filed by the company it is not immediately necessary to determine accurately the fair value of the property; for this reason it is not deemed necessary or desirable at this time to have additional hearings to submit further evidence.

An inspection of the petitioner's 1917 annual report shows that its sales of current were about as follows:

Municipal service	27,192 or 15%
Commercial light	86,454 or 48%
Power, etc.	66,632 or 37%
	<hr/>
	180,278 or 100%

The company submitted in Exhibit B-2 the following statement of the result of operation for the first eight months of 1918 (cents omitted):

Operating revenues, electric	\$136,124
Operating expenses, electric	153,162
	<hr/>
Net revenue (loss)	\$17,037
Non-operating income	13
	<hr/>
Gross income (loss)	\$17,024
Deduction from Gross income	22,597
	<hr/>
Net income for eight months (loss)	\$39,621

This statement indicates that the company is not receiving sufficient revenue to pay its operating expenses and taxes, to say nothing of interest and dividends on its securities and borrowed money. If it is to continue to serve the public it must have increased revenue.

In place of its existing schedule of rates for wholesale power users it proposes to adopt the power rates of the Public Service Electric Company on the theory that "what was a fair rate for

Monmouth Lighting Co.—Increase in Power Rates.

the Public Service ought to be a low rate for a very much smaller company, which, by reason of necessity, cost more to do business per unit than it does the Public Service.” This appears to be sound reasoning.

The company was asked to submit data on the basis of cost, showing that the rates were well balanced. It promises to do so, but insists that the condition of the company was so pressing as not to permit of the delay incident to preparing such a study. In view of the fact that the Jersey Central Traction Company, its largest consumer, and controlled by the same interests, would be required to pay an increase of about \$33,000 annually under the new schedule, Mr. Tingley, representing the company, said, “If you please, suspend the trolley application of it until the trolley matter is determined and this matter can be furnished, but don’t force us to wait for the length of time which it is going to take to produce this thing (i. e., the supporting data), because, as you gentlemen know, * * * we are shot to pieces, not only by the war, but the grippe epidemic.”

A very large proportion of the increased costs of this, as well as other electric companies, is caused by the great increases in the cost of fuel. The cost of fuel in normal times may, with large power users, amount to 40% or 50% of the total bill, whereas it may not equal 10% of the cost of supplying domestic customers with current for light. This leads to the conclusion that the proposal to increase the power rates, rather than the lighting rates, is logical.

The proposed rates are expected to effect the following annual increases in revenue, viz.:

Jersey Central Traction Company	\$33,000
Wholesale power customers	19,500
Retail power customers	3,950
Total	<u>\$56,430</u>

Mr. Craigen, of the Craigen Brick Company, appeared as a representative of power customers of the company and made in part the following statement:

Monmouth Lighting Co.—Increase in Power Rates.

“As a steam user as well as an electric power user, I want to tell you gentlemen we felt we were entitled to a jump, and I am here to say to you that we are quite willing to accept these rates as are the other users in the borough I have talked with. I would like to say in this connection that we in Keyport held a meeting of the Mayor and Borough Council and the Advisory Committee, Citizens’ Committee, of which I was chairman, at which we took up this application, also the gas company and the trolley company, and embodied the three in our deliberation and came to our conclusion, after having an explanation from the lighting company, considering it did not affect household lighting and borough lighting (the borough is a very small consumer for the disposal plant), that there would be no opposition on the part of the Borough of Keyport. We invited all power users to come to the meeting. Those that were there, after the explanation, admitted they conceded the prices were fair and reasonable. That is all I can say to you gentlemen, except as a large consumer, we are satisfied to accept such rates, if you gentlemen grant them.”

From the evidence and record the Board is satisfied that the new tariffs as filed by the petitioner on September 16th, 1918, are just and reasonable. The Board accordingly, with the exception of applying the wholesale power schedule to the bills of the Jersey Central Traction Company, hereby approves the proposed schedules for wholesale and retail power customers as just and reasonable, on the following conditions:

(a) The increases herein allowed will be taken as war increases, and may be abrogated or modified as and if conditions indicated by operating results warrant.

(b) The wholesale power rates herein allowed shall not apply to the consumption of current of the Jersey Central Traction Company until further satisfactory proof is submitted to the Board as to their reasonableness with respect to that utility.

(c) Beginning at the effective date of said schedule of rates, the company is to render reports monthly to the Board showing the Operating Revenues, Operating Deductions excluding Gen-

Public Service Gas Co.—Approval of Issuance of Capital Stock.

eral Amortization, Non-Operating Income, Income Deductions and balance available for Amortization, Dividends and Surplus and amount appropriated for General Amortization for each succeeding calendar month, with comparison with the figures for the corresponding month of 1917; and the Board will retain jurisdiction of the emergency or war surcharge as herein approved, for the purpose of modifying or abrogating same as and if conditions change.

The order of the Board issued October 8th, 1918, suspending the increased rates herein particularly specified, is hereby revoked.

Dated October 30th, 1918.

No. 632.

IN THE MATTER OF THE APPLICATION OF PUBLIC SERVICE GAS COMPANY FOR APPROVAL OF THE ISSUANCE OF ITS CAPITAL STOCK TO THE AMOUNT OF \$1,500,000.

In considering an application by a gas company for approval of the issue of \$1,500,000 capital stock the proceeds to be used for extensions to plant and to provide additional working capital a deduction is made of \$90,000 for fixed capital charges which do not represent the expenditure of any money by the petitioner or any debt incurred by it for construction purposes.

L. D. H. Gilmour, for the Public Service Gas Company.

L. Edward Herrmann, for the Board of Public Utility Commissioners.

Public Service Gas Company applies for the approval of the Board of the issuance of \$1,500,000 of capital stock of the company to be sold at not less than par, "the proceeds of which are to be used for extensions to plant and to provide additional working

Public Service Gas Co.—Approval of Issuance of Capital Stock.

capital for said Public Service Gas Company.” Appended to, and made part of the application, is a schedule showing the information required by Conference Ruling No. 13 of this Board.

Two hearings were held, the petitioner presenting as witnesses its comptroller and its vice-president and general manager. Summarized, the issue is to provide funds to the amount of \$750,000 for construction purposes and \$750,000 to provide additional working capital. The details of the items of construction, as appended to the application, a summary of which appears on page 28 thereof, purport to show that at the end of the year 1917 the company had expended \$89,758.77 for capital purposes in excess of the issue of capital stock, cash and securities received from leased companies and real estate mortgages December 31st, 1917.

The net estimated expenditures to be made aggregate \$708,150.99, making the total amount of expenditures made and estimated to be \$797,909.76, from which is deducted the cost of the Princeton Light, Heat and Power Company bonds retired in accordance with sinking fund provision in mortgage securing said bonds. This deduction is made in compliance with the certificate made by the Board on the application of the Public Service Gas Company dated September 25th, 1917, and referred to as being reserved for future consideration, “the matter of charging to capital account requirements for sinking funds.” The construction balance, therefore, against which the proposed stock issue will apply, amounts to \$788,592.51.

The additional working capital sought to be provided by the application was explained as being due to the increased business and the increase in cost of materials. The average working capital for the year 1910 was \$710,481.94, and that for the year 1917 averaged \$1,277,343.80. The accounts receivable for 1910 averaged \$940,946.69, as against \$1,770,807.99 in 1917. This difference is due, in the main, to increased business. To take care of the increase in demand, caused by the increased business, and the high cost of materials and supplies which the company is obliged to keep on hand, the additional working capital is sought.

The statistician of the Board made an investigation for the

Public Service Gas Co.—Approval of Issuance of Capital Stock.

Board of the details upon which the application was based. He called attention to charges made during the year 1917, aggregating \$41,305, representing the year's proportion of the cost of erecting four light oil plants in the Essex, Passaic, Hudson and Southern Divisions, the total cost being \$610,000, as well as expenditures made for improvements to the plant of the Camden Coke Company. Subsequent investigation by the statistician discloses that contracts have been made by the Public Service Gas Company with the H. Koppers Company for the erection of plants now being operated in the various divisions and territory of the Public Service Gas Company. The cost of erecting these plants was borne entirely by the H. Koppers Company, and under these contracts are to be operated by said company for a period of five years, and as a part of each year's operating expenses, there is to be included one-fifth of the cost of erecting these plants, so that at the end of the period the said company will have been reimbursed for the cost of construction entirely out of the earnings; the net earnings remaining, after deducting one-fifth of the cost of the plants, to be divided equally between the Public Service Gas Company and the H. Koppers Company. At the end of the five years the plants become the properties of the Public Service Gas Company absolutely. It will, therefore, have received the properties, in addition to its share of the profits, and their value added to the money received as its share of the net profits will constitute the total profit accruing to the gas company from the erection and operation of these plants.

During the year 1917 the gas company thus included, as part of its revenue for that year, in addition to the income it derived in cash or other current assets from the operation of these plants, the year's proportion of the construction cost thereof. These amounts were concurrently charged to its fixed capital accounts and constitute part of the fixed capital charges against which it is now seeking permission to issue capital stock; although, unlike all its other fixed capital charges, they do not represent any expenses whatever incurred by the company except in so far as these charges may be regarded as indirectly constituting the investment of earnings in physical property.

Public Service Gas Co.—Approval of Issuance of Capital Stock.

During the present year it appears that the company is not charging to fixed capital any part of the cost of these plants, nor including it as a part of its revenues, for the reason that some doubt has arisen as to what value the plants will have at the end of the contract period of five years. It is possible that these plants will not be needed any longer for the purposes for which they were erected.

The gas company also carries on its books, under the head of Fixed Capital in Other Departments, charges made for the erection, during the years 1916 and 1917, of the bensol plant erected by H. Koppers Company, on the property of the Camden Coke Company, which is also operated by it, under a contract of similar nature. Included in the present application is an item for the current year's proportion of the cost of this plant.

Inasmuch as all the fixed capital charges referred to hereinabove, and sought to be capitalized in the petition, do not represent the expenditure of any money by the Public Service Gas Company or any debt incurred by it for construction purposes, we will disallow their capitalization.

These items aggregate \$41,304.57, representing the proportion of the cost of erecting four light oil plants in the Essex, Passaic, Hudson and Southern Divisions, and \$48,000 to be charged in 1918, as that year's proportion of the cost of erecting the benzol plant on the property of the Camden Coke Company.

Deducting the amount of \$90,000, this being the approximate amount of the charges which we do not allow, from \$1,500,000, for which the issue of stock is asked, leaves a balance of \$1,410,000. A certificate of approval of the issue of stock to this amount will issue.

Dated November 6th, 1918.

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No. 633.

IN THE MATTER OF THE APPLICATION OF NEW JERSEY PULVERIZING COMPANY ET ALS. FOR REHEARING APPLICATION OF BRIDGETON ELECTRIC COMPANY FOR INCREASED POWER RATES.

1. Contracts made with an electric utility for power are subject to the Board's paramount right to regulate rates by an increase or decrease thereof.

2. It is equitable that increased rates resulting from advances in the price of coal should not apply to all customers, as any increase in fuel costs will increase the cost of serving power customers to a much larger percentage than it will lighting customers.

Walter H. Bacon, for New Jersey Pulverizing Company and Crystal Sand Company.

Frank R. Bacon, for Cumberland Glass Manufacturing Company.

H. B. Gill and *C. L. S. Tingley*, for Bridgeton Electric Company.

John P. Petty, for Board of Public Utility Commissioners.

Under date of June 21st, 1917, the Bridgeton Electric Company filed a schedule of increased rates for electric service, to become effective July 1st, 1917. By order dated June 26th, 1917, the Board suspended the increased rates and called a hearing for July 6th, 1917, and gave notice to the Mayor of Bridgeton. Hearing was held July 6th, 1917, and subsequently, by report dated August 7th, 1917, the Board denied approval of the proposed increases. On September 17th, 1917, a new schedule of increased rates was filed by the utility, which was substituted by another schedule in lieu thereof, dated September 22d, 1917, and filed September 24th, 1917, of which the following is a copy:

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“Bridgeton Electric Company Coal Clause.

“To be added to the power and mixed load rates. The company shall, at the end of each calendar month, ascertain the average cost of coal delivered at the power house at Bridgeton for that month and shall add to the consumer's bill twenty-five one-hundredths of a mill per kw. hr. for each 10c. per ton, of cost of coal in excess of \$3.50 per ton F. O. B. Bridgeton, and shall deduct from the consumer's bill twenty-five one-hundredths of a mill per kw. hr. for each 10c. per ton of cost of coal below \$3 per ton F. O. B. Bridgeton.

“September 22d, 1917.

“Effective as and when approved by the Board of Public Utility Commissioners.”

The matter was set for hearing October 2d, 1917, and notice sent to the Mayor of Bridgeton, together with copy of the new schedule as submitted. On October 2d, 1917, testimony was produced as to the justice and reasonableness of the new schedule filed. No one appeared at either hearing in opposition to the proposed increase. On October 8th, 1917, the Board permitted the new schedule, consisting of a coal clause, to become effective, subject to challenge as to its reasonableness by any interested party, as appears by the following copy of letter sent to the utility:

“October 8, 1917.

Coal clause to be added to power rates—
Bridgeton Electric Co.

Mr. C. L. S. Tingley, Vice-President,
Bridgeton Electric Company,
Witherspoon Bldg., Phila., Pa.

Dear Sir:

I am instructed by the Board to inform you that it will permit the coal clause, dated September 22d, 1917, submitted by you, to become effective, subject to challenge as to its reasonableness by any interested party.

Very truly yours,

A. N. BARBER, Secretary.”

On January 5th, 1918, the New Jersey Pulverizing Company and Crystal Sand Company, jointly, and the Cumberland Glass Manufacturing Company, filed petitions for a rehearing. Both

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petitions are substantially in the same form and allege generally that the petitioners are the holders of contracts for the supply of electric current for power, and that contrary to the provisions of their contracts, the bills rendered by the utility on November 1st and December 1st, 1917, and January 2d, 1918, respectively, included charges from 40% to 50% in excess of the contract rates. The petitions further allege that no notice of hearing had been given; that the increased rates were unjust and unreasonable and result in undue and unreasonable discrimination, because the order approving the increase in rates applied to all consumers, and the utility had applied the same only to power consumers; that the increase is not proportionate to the increase necessary by reason of increased cost of coal in an efficient and properly managed plant of the size and character of the one operated by the utility. The petitions further allege that the lack of uniformity in the monthly rates prevents petitioners from competing on an even basis with other manufacturers, who have fixed power rates; that prior to October 2d, 1917, the petitioners had entered into contracts for the future manufacture and delivery of products, based on the power cost fixed by the written contracts, and as a result thereof, loss would result to petitioners on such existing contracts.

The petition of the New Jersey Pulverizing Company and Crystal Sand Company also specially alleges that current was furnished under the terms of the written contract entered into on January 22d, 1915, made between the utility and Harry F. Spier, and afterwards assigned, with the assent of the utility, to New Jersey Pulverizing Company, and which contract, by subsequent agreement, was made applicable to the Crystal Sand Company. That under the terms of the contract, the utility agreed to supply electric current for power purposes to petitioner, between the hours of 11 o'clock P. M. and 5 P. M., for the term of ten years from its date for the price of .014 per kilowatt hour; that the New Jersey Pulverizing Company agreed, among other things, to install not less than 210 horsepower in motors and to pay as a minimum charge not less than \$1 per horsepower per month, and to use current for power during the term aforesaid furnished exclusively by the utility. Petition further alleges that the base

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rate of coal cost is disproportionate to the coal cost at the time the contract was made.

The petition of Cumberland Glass Company specially alleges that the current was furnished under the terms of a certain contract dated March 19th, 1917, between the utility and petitioner for the term of three years from the date thereof, at the rate of .0147 per kilowatt hour, for the first 52,500 kilowatt hours used in any one month and .0113 per kilowatt hour for all consumption in excess of 52,500 kilowatt hours. That said contract further provides that petitioner guaranteed a total yearly payment of \$7,000 for power; that prior to the making of the contract, petitioner relying thereon, altered its plant and expended \$20,000 for electric equipment for the use of current received from the utility. The petition further alleges that there has been no actual increase in the cost of coal over the cost at the date of the making of said contract.

The answers of Bridgeton Electric Company to the petitions admit some of the allegations, and allege that the application for an increase in rates was a matter of public knowledge. It denies that the increased rates are unjust and unreasonable, and result in undue and unreasonable discrimination; also denies that the order of the Board applies to all consumers of current, but on the contrary, avers that it applies only to consumers of power. It alleges that the plant is efficient and properly managed; that as a matter of law, said contracts were made, subject to the right and power of this Board to order and approve any change or increase in rates, which might be just, reasonable, or necessary, in order to enable respondent to perform its duty to the public, imposed upon it by its charter.

The answer to the petition of New Jersey Pulverizing Company and Crystal Sand Company specially alleges that the utility has furnished electric current to the petitioners for some time past and is supplying the same for twenty-four hours of each day. It denies that the coal clause is disproportionate to the coal cost at the time the contract was made, but avers that the base rate of \$3.50 named in the schedule was the cost of coal at the time the contract was made.

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The answer of the Bridgeton Electric Company to the petition of Cumberland Glass Manufacturing Company also specially alleges that the cost of coal has been and is in excess of the price of coal at the date of the making of said contract.

The answer further alleges that Sec. III, Art. V of said contract, specifically provided as follows:

“Section III. It is hereby understood and agreed that neither the purpose, nor intent, nor obligation of this contract, if and when approved by the Board of Public Utility Commissioners of the State of New Jersey (in case such approval is required) shall be construed to impair, or in anywise affect the exercise by said Board, of any of the powers vested in it by the ‘Act concerning Public Utilities, approved April 21st, 1911,’ and subsequent supplements.”

Hearings on the application were held June 18th and June 25th, 1918. These contracts, which were both made subsequent to the passage of “An Act Concerning Public Utilities,” Chap. 195, Laws 1911, are beyond all question subject to the Board’s paramount right to regulate rates by an increase or decrease thereof.

The contract made with the Cumberland Glass Manufacturing Company contains the clause above quoted, thereby recognizing by its express terms, the question of the State’s paramount right to control the fixing of rates, independent of contractual relations between utility and customer.

Manigault vs. Springs, 199 U. S. 473.

Yeatman vs. Tower (Ct. of App. of Maryland), 95 Atl. 158.

Collingswood Sewerage Co. vs. Borough of Collingswood; Burlington Sewerage Co. vs. City of Burlington, N. J. Sup. Ct., Feb. Term, 1918.

Northampton, Easton and Washington Traction Co. vs. Board of Public Utility Commissioners, N. J. Sup. Ct., Feb. Term, 1918.

Atlantic Coast Electric Ry. Co. vs. Board of Public Utility Commissioners and Borough of Bradley Beach, N. J. Ct. of Err. and App., March Term, 1918.

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In re Increase in electric power rates, P. S. Electric Co., N. J. P. U. R., dated June 29th, 1918.

In re Increase in Fares, Public Service Ry. Co., N. J. P. U. R., dated July 10th and September 25th, 1918.

Trenton and Mercer County Traction Co. in re Increased Rates, N. J. P. U. R., dated September 24th, 1918.

O'Brien vs. Board of Public Utility Commissioners and P. S. R. R. Co., N. J. Sup. Ct., October, 1918.

Inhabitants of City of Trenton et al. vs. Trenton and Mercer County Traction Corp., N. J. Sup. Ct., October, 1918.

As to petitioners' allegation that no notice was given them of the hearing and that they were not afforded an opportunity to be heard thereon, we find that substantial notice of the application was given and that the case is within the principles set forth in the above-mentioned report in re electric power rates, P. S. Electric Co., dated June 29th, 1918.

The increase in rates also *applied to power and mixed load rates*, as specially stated in the schedule of rates filed with the Board dated September 22d, 1917, and which became effective, with the Board's written approval, October 8th, 1917. It is equitable in cases of this character that the increase in rates should affect only power customers, since the allowance of increased costs enter into this service to a larger proportion than into lighting service.

Marion Lighting and Heating Co., Ind. Public Service Commission, P. U. R., 1918, D. 692.

Milwaukee Electric R. R. and Lighting Co., Wisconsin R. R. Commission, P. U. R., 1918, A. 798.

The allowance of increase in electric power rates in the matter of the application of Public Service Electric Company, dated February 27th, 1918, was based on the same ground. The Board's report, dated August 7th, 1917, denying approval of the first proposed increase in rates filed by the respondent utility on June 21st, 1917, was based on the ground that a horizontal increase to all consumers, including all lighting and power consumers, was inequitable.

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For the reasons herein given, and following the established precedents in this line of cases, we find the proposed increase in rates resulting from advances in the price of coal should not apply to all customers.

Inasmuch as the new schedule of increased rates was allowed to go into effect subject to challenge, the important question before the Board is, whether the new increase in rates as applied to petitioners, is just and reasonable.

While the rates became effective prior to the promulgation of Conference Ruling No. 14 in reference to coal clauses, the Board would prefer that all coal clauses, as far as practicable, be consistent therewith; nevertheless, the important factor in regulation is, that the resultant rate should be just and reasonable. Consequently, the conclusions of the Board are founded on this basis.

Any increase in fuel costs will increase the cost of serving power customers to a very much larger percentage than it will lighting customers.

An electric company which generates current with very large units and sells to a very large number of consumers, has lower costs and can sell current at lower rates, other things being equal, than can a small company with a small output.

We will, therefore, compare the statistics of the respondent with those of the Public Service Electric Company, the largest electric company in New Jersey. While such a comparison is not absolutely conclusive, it is very strongly indicative.

Table I, hereto annexed, strikingly shows that the smaller company, selling about 1% as much current as the larger, and having from 80% to 85% of its energy furnished to the low-priced power customers, actually sold the power current at lower average prices than did the very much larger company. Each company filed a coal clause effective substantially at the same time. The Board, on proof, allowed the larger company to add 25% to its power rates, in addition to a modified coal clause. This seems to indicate clearly that the power customers of the respondent, as a whole, are not charged unreasonable rates.

A comparison of the individual power rates, based on demand and proportional use of the current of the several petitioners by

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the Bridgeton Electric Company, as compared with the comparable rates of the Public Service Electric Company, will show that the rates of the latter company are higher, block by block, within the range of the current used by any of the petitioners.

Table I also shows that in 1916 it required 1.57 kilowatt hours of all current generated and measured at the switchboard to effect the sale of 1.00 kilowatt hour of power current. Assuming 3.5 pounds of coal to generate one kilowatt hour of current, it would require 5.5 pounds to be charged to the power customers to make the company whole. On the basis of 3.33 pounds of coal required to generate one kilowatt hour of current, the amount of coal would be about 5% less. On the basis of 1917 experience, it would require about 10% less coal than in 1916. But, on the other hand, the 1917 annual report of the respondent company shows, at page 21, that its operating revenues were \$123,519.12, and its operating expenses and taxes were \$125,753.02, which indicates that the revenues (including three months' revenue from the coal clause surcharge) failed to pay the operating costs, to say nothing of income deductions of about \$18,000 for interest and other deduction on capital account.

The Board is unable to conclude that the rates producing such deficits are unreasonably high, as alleged by the petitioners, and it does not appear reasonable to require the company to reform the coal clause so as to produce less revenue in view of the operating results shown.

The respondent was allowed to assume a base of \$3.50 because that was the average cost per ton delivered and paid by the company for the preceding ten years as shown by actual proof with respect to the respondent's first application for permission to impose a coal clause surcharge. As the rates were originally derived and based on such cost for coal, it does not seem unreasonable to permit this to be the basis used under existing circumstances.

The petitioners allege, however, that all of the current sold to its customers in certain months in 1918 was not generated in its own station at Bridgeton, New Jersey. The annual reports for this company up to, and including, 1917, indicate that up to De-

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cember 31st, 1917, it has purchased no current from outside sources, but has generated same in its Bridgeton station. The testimony indicates that April, 1918, was the first month in which any current was purchased from outside stations. The respondent claims, however, that this taking of current from the Brandywine Station of the Wilmington Electric Company, immediately through the Electric Company of New Jersey, is a temporary condition and not expected to last. Reports with respect to the cost of coal purchased and the amount used in the plant of the Bridgeton Electric Company since the hearing, however, indicate that the Bridgeton Electric Company continues to receive considerable current from outside generating stations.

In view of these facts, which were not before the Board, nor anticipated at the time the coal clause was permitted to become effective, a new element is now introduced into the case.

The costs of coal delivered to the Bridgeton Electric Company in Bridgeton are 10%, or more, higher than the corresponding prices at the Brandywine Station of the Wilmington Electric Company. It would appear reasonable that the company, having been permitted to impose a coal clause on the theory that the cost of coal used in the production of this current in the Bridgeton station was a controlling factor, should take the weighted average cost of the coal used in generating all the current sold in its territory for a given month, that is to say, if one-third of the current was generated in the Bridgeton Station at \$6 per ton cost of coal, and two-thirds was generated in the Wilmington Station at a cost of \$5 per ton, the weighted average of \$5.33 should be taken as the average cost of coal, and the difference between that cost and \$3.50 should be the amount to which the coal clause should apply.

We determine that the increase in rates to all customers resulting from advances in the price of coal would not be just and reasonable. In the opinion of the Board, these other customers are paying relatively a higher price for their current than are the power customers, even with the surcharge added. The only new element introduced is that a portion of the current is generated in outside stations.

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The Board therefore finds and determines:

(1) That the coal clause permitted to become effective October 8th, 1917, on the facts submitted should be amended to conform with the generation of current at all outside stations, as well as at the Bridgeton Station.

(2) That in consequence of new evidence adduced at the subsequent hearings a coal clause in the following form, and the resultant rates derived therefrom, is just and reasonable:

**COAL CLAUSE—TO BE ADDED TO THE POWER AND MIXED LOAD
RATES.**

(a) When all the current sold during a calendar month is generated at its own station in Bridgeton, the company shall, at the end of each calendar month, ascertain the average cost of coal delivered at the power house at Bridgeton for that month, and shall add to the consumer's bill twenty-five one-hundredths of a mill per kilowatt hour for each ten cents per ton of cost of coal in excess of \$3.50 per ton F. O. B. Bridgeton, and shall deduct from the consumer's bill twenty-five one-hundredths of a mill per kilowatt hour for each ten cents per ton of cost of coal below \$3 per ton F. O. B. Bridgeton.

(b) When any of the current is generated at stations other than the station of the Bridgeton Electric Company, the average cost price of coal shall be ascertained by taking the weighted average of the cost paid at each station, related to the amount of current taken from such station and delivered to the lines of the Bridgeton Electric Company, and such weighted average shall be taken and applied in place of the average cost in (a).

An order will be made in accordance with this determination.

Dated November 14th, 1918.

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TABLE I.—SALES OF CURRENT BY PUBLIC SERVICE ELECTRIC CO. AND BRIDGETON ELECTRIC CO.

	Year 1916.				Year 1917.			
	Kilowatt Hours Sold.	Per Cent. of All	Revenue from Sales.	Average Revenue Per Kw. Hr. Cents.	Kilowatt Hours Sold.	Per Cent. of All	Revenue from Sales.	Average Revenue Per Kw. Hr. Cents.
<i>Bridgeton Electric Co.</i>								
Municipal lighting	196,177	6.91	\$14,190	7.23	192,013	4.61	\$14,819	7.72
Commercial lighting	367,935	12.95	33,594	9.13	425,926	10.23	38,174	8.90
Subtotal	564,112	19.86	\$47,784	8.47	617,939	14.84	\$52,993	8.58
Power of all kinds	2,276,829	80.14	36,907	1.62	3,547,130	85.16	69,127	1.95
Total electric sales	2,840,941	100.00	\$84,691	2.98	4,165,069	100.00	\$122,120	2.93
Current generated	3,579,456				4,953,800			
Ratio of kw. hrs. generated to power current sold	1.57				1.40			
<i>Public Service Electric Co.</i>								
Municipal lighting	26,009,212	9.26	\$1,454,774	5.47	25,695,842	6.92	\$1,490,957	5.80
Commercial lighting	72,438,555	25.79	6,868,391	9.48	82,410,141	22.18	7,749,798	9.41
Subtotal	98,447,767	35.05	\$8,323,165	8.46	108,105,983	29.10	\$9,240,755	8.55
Power of all kinds	182,424,075	84.95	4,185,757	2.30	263,403,475	70.90	5,590,959	2.12
Total electric sales (1)	280,871,842	100.00	\$12,508,922	4.45	371,509,458	100.00	\$14,831,714	4.00
Current generated	393,550,605				511,918,411			
Ratio of current generated to power current sold	1.40				1.38			

(1) Excluding current transferred.

ORDER.

These applications having been duly heard and the Board having, on November fourteenth, nineteen hundred and eighteen, made and filed a report containing its findings of fact and conclusions thereon, which said report is hereby referred to and made a part hereof, the Board of Public Utility Commissioners HEREBY ORDERS

1. That the coal clause which it permitted to become effective for the Bridgeton Electric Company on October 8th, 1917, shall be amended to conform with the generation of current at all outside stations as well as at the Bridgeton Station.

2. That the following shall be adopted by the said Bridgeton Electric Company, and shall, from and after the effective date of this order, apply as a coal clause to be added to the power and mixed load rates of the said company:

(a) When all the current sold during a calendar month is generated at its own station in Bridgeton, the company shall, at the end of each calendar month, ascertain the average cost of coal delivered at the power house at Bridgeton for that month, and shall add to the consumer's bill twenty-five one-hundredths of a mill per kilowatt hour for each ten cents per ton of cost of coal in excess of \$3.50 per ton F. O. B. Bridgeton, and shall deduct from the consumer's bill twenty-five one-hundredths of a mill per kilowatt hour for each ten cents per ton of cost of coal below \$3 per ton F. O. B. Bridgeton.

(b) When any of the current is generated at stations other than the station of the Bridgeton Electric Company, the average cost price of coal shall be ascertained by taking the weighted average of the cost paid at each station, related to the amount of current taken from such station and delivered to the lines of the Bridgeton Electric Company, and such weighted average shall be taken and applied in place of the average cost in (a).

This order shall become effective December 10th, 1918.

Dated November 19th, 1918.

Henry G. Siegfried, &c., vs. Washington Electric Co.

No. 634.

HENRY G. SIEGFRIED AND CHARLES B. BRADY, TRUSTEES OF THE
WARREN COUNTY REALTY COMPANY,

vs.

WASHINGTON ELECTRIC COMPANY.

Electricity is supplied to all the tenants in a three-story building through one meter with the exception of a moving picture theatre for which a separate meter is provided.

The petitioners pay all bills for current supplied their tenants and complain that because of the two meters and separate bills they are deprived of the discount which would apply to the aggregate amount used in any one month. *Held—*

The company having installed a special line, a special five-kilowatt transformer and an individual meter to serve the customer, it does not appear reasonable that it should apply the lighting schedule cumulatively to the sum of the two meters.

Charles B. Brady, for the complainants.

Thomas W. Haldeman, for the respondent.

The petition submitted in this matter sets forth the following allegations:

That the petitioners are trustees for the bondholders of the Warren County Realty Company and as such trustees have had possession and actual management of the property of the Warren County Realty Company from January 1st, 1918.

That the respondent has furnished electric energy to the Warren County Realty Company from January 1st, 1913, and that its rates are as follows:

“15c. per kw. hr., subject to a cash discount if bill is paid within 10 days, amounting to 15% where bills are less than \$5 per month; where bills are more than \$5 a month and less than \$10 a month, 25%; where bills are more than \$10 per month and less than \$20 per month,

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33¹/₃% ; where bills are more than \$20 per month and less than \$30 per month, 40% ; where bills are more than \$40 per month, 45%, and where bills are in excess of \$40 per month, 50%."

(The petitioners fail to state, however, that for moving picture establishments the Washington Electric Company had filed with this Board, effective as of July 18th, 1911, the following rate:

"Moving pictures are allowed a maximum discount of 33¹/₃%"

from the base rates as shown in the petition hereinabove quoted.)

That from January 1st, 1913, the respondent has refused to allow more than 33¹/₃% cash discount.

The Warren County Realty Company is the owner of a three-story brick building occupied by various tenants and including one tenant operating a moving picture show. The said realty company supplies current for certain of these offices and for lighting the corridors.

The electric company imposed separate bills for each of two meters installed in the building and has not billed electrical energy consumed in such a manner as would enable the petitioners to secure the advantage of discounts based upon the aggregate amount consumed in any one month.

The matter was heard on September 17th and 24th, 1918.

The evidence shows that the petitioner's predecessor, the Warren County Realty Company, was formerly served through one line, one service and one meter, but that the fact that the moving picture apparatus was connected to this line caused such variations in the current as to produce unsatisfactory lighting service. In consequence of this a new and separate line was constructed to serve the moving picture apparatus through a separate transformer and meter. The electric company supplies one of its men at its own cost for certain periods in order that the moving picture apparatus may be operated satisfactorily and without interruption. On holidays, when power customers do not use the current in the daytime, but the moving picture owner wishes to give matinee performances, the plant must be run to supply service to the moving picture concern.

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The extent of plant equipment which any company is required to install is determined by the total load which may reasonably be expected to be thrown upon the plant at any period during the day or year. This is determined usually by the aggregate of the individual demands at any given time. This greatest demand on the plant is called the "peak load."

An electric company cannot commercially store electricity; hence its equipment must at all times equal the "peak load" which it is to supply. With the great majority of electric companies, the peak load is caused by the demand for lighting, and a large part of the capacity of the plant is idle during the day. To utilize the equipment during the day, power rates have been developed which are usually much lower than those derived for lighting because of the fact that the equipment has been installed to meet the lighting demand.

The petitioners construe the report of the Board in the matter of the *Moving Picture Establishments* (of Paterson) vs. *Public Service Electric Company*, N. J. P. U. R., Vol. III, p. 169, to mean that the schedule of rates for service to these moving picture establishments should be intermediate between the schedule provided for lighting and for power. But a careful study of the two matters will show the difference. In the Paterson case it was shown that the complainants began operating approximately at noon during each day and operated continuously until 11 o'clock in the evening. Therefore, during the daytime, they were entitled to a reduction for the same reason that the power users were entitled to a reduction, whereas the part of their load which was served during the period of darkness, would add to the "peak load" on the plant and should take the highest rate. Being a mixed load, the proper rate therefore appears to lie intermediate between the power and the lighting rates.

This line of reasoning does not apply in the present case. The evidence shows that the moving picture establishment (except on holidays) operates only at night, that is, during the peak load on the plant. The company should not be required to grant a reduction on the theory that a large portion of its consumption takes place during the daytime or "off the peak."

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If this moving picture concern could be served off the line supplying lights without detriment to the service of lighting customers, it would appear reasonable to charge it the same rate as such lighting customers, but the evidence in this case shows this was formerly tried with unsatisfactory results. A special line, a special five kilowatt transformer and an individual meter had to be installed to serve this customer. It would appear that the company, having afforded special and individual facilities for the services of this customer, should be adequately compensated and it does not appear that a uniform maximum discount of $33\frac{1}{3}\%$ for all the current consumed by this class of customers is discriminatory or inequitable. For the same reason it does not appear reasonable that where it has been put to the extra expense of an additional line, thus creating the conditions of serving two customers, the company should apply the lighting schedule cumulatively to the sum of the two meters, thereby entitling the petitioners to a lower rate than under the method adopted by the company of rendering two separate bills.

It will be noted that in the case of the *Paterson Moving Picture Establishments vs. Public Service Electric Company* (Ibid.) the base lighting rate of the Public Service Electric Company (which generates possibly many hundred times the current furnished by the petitioner) is ten cents and that this rate remains ten cents for bills aggregating \$37.50 for the moving picture concerns. The rate charged the petitioners is fifteen cents less $33\frac{1}{3}\%$, which likewise imposes a charge of ten cents net upon the petitioners. It may be stated in general that a company supplying a great volume of electrical energy can, all other things being equal, supply it for much lower rates for the same return on the amount of capital in use than can a company generating current in small units. If a rate of ten cents as afforded by the Public Service Electric Company to the Paterson moving picture concerns (many of which use current at very much longer hours than the moving picture concern in question) a rate of ten cents charged by the Washington Electric Company cannot be considered unreasonable.

The petition is therefore dismissed.

Dated November 14th, 1918.

Borough of Pompton Lakes—Approval of Plans, etc.

No. 635.

IN THE MATTER OF THE PETITION OF BOROUGH OF POMPTON LAKES FOR APPROVAL OF PLANS, ETC., FOR PROPOSED ADDITION TO ITS LIGHT, HEAT AND POWER PLANT, AND THE ISSUE OF \$56,000 BONDS.

1. A borough becomes a public utility in respect to its acts in supplying electricity beyond its corporate limits and as such is subject to the jurisdiction of this Board to the same extent as privately owned utilities.

2. Approval is given to the plans of a borough supplying electricity beyond its corporate limits of an addition to its plant and for an issue of bonds to finance the same.

J. W. DeYoe, for petitioner.

L. Edward Herrmann, for the Board.

The Borough of Pompton Lakes, a municipality owning and operating its own plant and distribution system for supplying light, heat and power, filed a petition requesting approval of plans and specifications of a new building with its equipment which it proposes to erect, and to be maintained and operated by it, in addition to its present plant. It alleges that because of the rapid growth of the borough and the consequent increased demand upon its facilities, the capacity of the present plant is inadequate to meet requirements of adequate and proper service.

A brief summary of the facts disclosed at the hearings held is as follows: In 1914 the borough erected a plant and distribution system for supplying electric light and power to its inhabitants. Prior to that time no facilities for these purposes existed in the borough, and although efforts were made by the officials of the borough to secure extensions of service from privately owned utilities to the borough, they did not succeed in doing so. The existing plant has a capacity of about 100 kilowatts and is operated with two 75 H. P. engines with 2-50 Kva. generators. Since its erection the population of the borough has increased considerably and the number of consumers of electricity for light-

Borough of Pompton Lakes—Approval of Plans, etc.

ing purposes has increased to the extent that the plant is unable to meet the demands made upon it. Besides supplying the inhabitants, light is also supplied to buildings of the DuPont Powder Company and of the government engaged in munition manufacture. Electricity for lighting is also sold by the borough outside the municipal limits and it is contemplated to further engage in the business of selling its product for use in lighting and power beyond its corporate limits.

An engineer was engaged by the borough to prepare plans for the erection of an addition to the present plant to meet the needed capacity, and the plans submitted for approval were prepared by him. The plan proposes the erection of a concrete building on Pompton Lake and the installation therein of one hydro electric plant, consisting of one 300 H. P. vertical shaft water turbine and one 131 H. P. vertical shaft water turbine to operate one Kva. generator and one 100-125 Kva. generator, respectively. The cost of the construction of the building and installation of plant approximates \$56,000.

It is proposed to erect the building and plant on lands which the borough has leased for the purpose for the term of 21 years at an increasing graduated rental. The borough has the option to purchase the lands leased at an agreed-upon price during the term of the lease. Officials of the borough testified as to the desirability of procuring the property and maintaining the dam, thus preserving the lake, as part of the scheme of municipal planning, in addition to its commercial value.

The capacity of the proposed plant is greater than the present demand requires. The plant as proposed, however, provides for the reasonably-expected demands of the future. The engineer estimates the cost of manufacturing electricity by use of the water power as less than the cost thereof, using coal or gas.

The Borough Council passed an ordinance on August 1st last, authorizing the leasing of the lands necessary, the erection upon a portion thereof of a raceway and power house with the necessary equipments, machinery and apparatus, and for raising the sum of \$56,000, the amount required for the construction of the raceway and power house and the necessary equipments, etc.,

Borough of Pompton Lakes—Approval of Plans, etc.

authorized the issuance of 56 coupon bonds of the borough in the denomination of one thousand dollars each, dated June 1st, 1918, and bearing interest at the rate of $5\frac{1}{2}\%$ per annum, payable semi-annually. Two bonds are to be paid on June 1st, 1920, and two on June 1st, 1921. Three are to be paid annually thereafter. The principal and interest accruing is provided to be raised by taxes levied in each year; any income received, however, from the electric light system over and above the amount necessary for the running expenses thereof may be applied first to the payment of the interest accruing and then, if sufficient, to the payment of the principal of said bonds. The ordinance also contains statements of the average assessed valuation of the taxable real property and the net debt of the borough computed according to the terms of, and stated in accordance with, the requirements of Chapter 252, P. L. 1916. Proof of the publication of the ordinance was also presented.

Jurisdiction over municipally-owned utilities engaged in manufacturing and distributing electricity for light, heat and power is conferred by Chapter 152, P. L. 1917, Article XXXIII:

“4. Subject to the approval of the Board of Public Utility Commissioners, it shall be lawful for any municipality owning and operating a plant for supplying light, heat or power:

“(a) To enter into and make a contract with any adjoining municipality to supply electricity, gas, steam or other product for light, heat or power purposes for public or private use within said adjoining municipality for a period not exceeding ten years, at such rates and upon such terms as may be mutually agreed upon in said contract.

“(d) To make and maintain and operate additions and extensions to the plant and distributing system of the municipality, and to do such acts and things as may be necessary or convenient, whether within or without the corporate limits of the municipality, to carry out any of the powers conferred by this section.

“6. Every municipality in respect to its acts in supplying electricity, gas, steam or other product beyond the

Borough of Pompton Lakes—Approval of Plans, etc.

corporate limits of the municipality is hereby declared to be a public utility. The Board of Public Utility Commissioners of the State of New Jersey shall have the same supervision and regulation of, and jurisdiction and control over, such municipality in respect of its acts in supplying electricity, gas, steam or other product beyond its corporate limits, and of and over the property, property rights, equipment, facilities and franchises used in supplying electricity, gas, steam or other product beyond its corporate limits as over other public utilities. Every such municipality shall be subject as to its service, accounts, property rights, equipment, franchises, extensions, reports, rates, issuance of bonds or other indebtedness maturing in more than one year from the date thereof, to the jurisdiction of said Board of Public Utility Commissioners to the same extent as other public utilities are subject."

Section 5 of this act also provides that no municipality shall supply electricity to any adjoining municipality or the inhabitants thereof unless the Board, after notice and hearing, determines and certifies that such adjoining municipality is not adequately and properly served by an existing company. Presumably the borough had, prior to the act becoming effective, already engaged in supplying the inhabitants of the adjacent municipality with electricity, for it does not appear that an application for permission to do so has ever been made. The borough thereupon became a public utility in respect to its acts in supplying electricity beyond its corporate limits, and as such subject to the jurisdiction of this Board to the same extent as privately-owned utilities.

It thus becomes necessary to ascertain the facilities present in the municipality and the neighboring municipality proposed to be supplied, the necessity for the addition and the probable cost thereof; the capacity of the plant proposed to be added to the existing facilities and the probable, immediate and future demands. The act conferring jurisdiction of municipally-owned plants upon this Board is generally known as the Home Rule Act. In incorporating these provisions in this act it was undoubtedly the intention of the Legislature to prevent municipally-owned utilities to engage in competition with existing private utilities.

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From all of the testimony the Board is satisfied that the need for additional facilities exists. The population of the borough has increased approximately 300% within four or five years. Industries and government munition plants have erected large buildings for housing purposes. The termination of war, however, will presumably cause the plants of these industries to lessen their activities, and the population will probably be diminished by some of the employes engaged during the past abnormal activities leaving the borough. Those qualified to know gave it as their opinion, however, that taking these facts into consideration, the permanent population has increased to such numbers as to require the erection of the additional plant. The present plant is inadequate to supply the present existing demand, and we are satisfied that additional facilities are necessary to furnish adequate and proper service hereafter.

The proposed plan is to erect a hydro electric plant, using the water power located within the borough. A comprehensive study of the water power was made by the engineer engaged by the municipality. With the use of the water power the capacity of the addition will be somewhat greater than is required to meet present demands, and will provide for demands reasonably expected in the future. The plant is proposed to be erected upon leased lands, the lease containing an option to the borough to purchase. Neither the purchase price nor the rentals agreed to be paid appear to the Board to be exorbitant, and should it at any time become necessary, the borough could avail itself of its right to take the lands by condemnation.

The estimated cost of the proposed building and equipment is \$56,000, and the borough proposes to raise this amount by issuing bonds as above set forth. This estimate is reasonable and the plan proposed to raise the money necessary has been devised and authorized by the governing body of the borough and meets with this Board's approval.

The plans and specifications filed with the Board are approved and a certificate of approval of the bonds proposed to be issued will issue.

Dated November 19th, 1918.

Balbach Smelting Co., &c., vs. Atlantic City Railroad Co., &c.

No. 636.

**BALBACH SMELTING AND REFINING COMPANY, PARKINSON COKE
AND COAL COMPANY**

vs.

**ATLANTIC CITY RAILROAD COMPANY AND THE CENTRAL RAIL-
ROAD COMPANY OF NEW JERSEY.**

Complaint is made of an increase of 15 cents per ton on intrastate rates for coke. *Held*—

1. Recognizing the importance of efficiently maintaining railroads under existing conditions and the necessity for increased revenue, the standard of increase having been established by the Federal Director General of Railroads on a horizontal basis higher in some respects than that under consideration, the Board would not be justified in taking a position inconsistent with that of the Interstate Commerce Commission and the Federal Director of Railroads.

2. Evidence is lacking supporting the claim of unreasonableness of the rates involved or discrimination and in the absence of such evidence the Board is not warranted in disturbing the increase of 15 cents per ton applying on shipments, between Camden and Newark.

R. N. Kellam, for the complainants.

W. L. Kinter, for Atlantic City Railroad Company.

A. H. Elder, for Central Railroad Company of New Jersey.

Complainants allege that the advance of 15 cents per ton on coke rates under tariffs effective June 15th, 1917, applying on intrastate traffic in New Jersey is unreasonable and excessive, also that said advance is illogically and unscientifically applied. It is further alleged that the proposed rates should be suspended pending final decision as to reasonableness of rates involved.

It was concluded, after the first hearing on June 12th, 1917, that the increased rates effective June 15th should not be suspended, and if the proposed increase was found to be unreasonable, the respondent companies agreed to refund such portion

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thereof as the Board determined to be unreasonable. Further taking of testimony was adjourned until December 4th, 1917. It developed at this hearing that the principal contention was as to the advance of 15 cents per ton between Camden and Newark on the Central Railroad, and the testimony was practically confined to the reasonableness of said increase. As all intrastate coke rates could properly be considered as directly under review, if the increase should be considered excessive as applying between Camden and Newark on the Central Railroad, it would be assumed that a change in the rate between these points would affect the rates to other intrastate points.

Coke is manufactured at Camden, and large quantities are consumed at plants located at points in New Jersey. Coke shipped to the Balbach Smelting and Refining Company at Newark, is routed over the Atlantic City Railroad from Camden to Winslow Junction and from latter point to Newark, via the Central Railroad. The distance between Camden and Newark is 126.4 miles, and the joint rate under tariff of September 5th, 1913, was 90 cents per ton. The rate of the Pennsylvania Railroad, prior to increase of 15 cents per ton, was 80 cents per ton. The distance between Camden and Newark on the Pennsylvania Railroad is 81 miles. To secure a portion of the coke traffic, in order to increase the business on its Southern Division, the Central Railroad rate of 90 cents per ton was reduced to basis of rate in effect on the Pennsylvania Railroad.

During the existence of the 80-cent per ton rate on the Pennsylvania Railroad, its reasonableness was not questioned, and it cannot be concluded that a similar rate on the Central Railroad prior to the advance of 15 cents per ton was unreasonable. As the distance between Camden and Newark via the Atlantic City Railroad and the Central Railroad is 45.4 miles longer than that on the Pennsylvania Railroad, the fair rate applicable for the longer haul would be a figure higher than 80 cents per ton, and possibly 90 cents per ton, which rate was in effect on the Central Railroad, prior to reduction to meet the competitive rate of 80 cents per ton on the Pennsylvania Railroad. It would seem logical, therefore, to assume that a rate of 95 cents per ton is not excessive, as a reasonable increase in the rate of 80 cents per ton (to

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represent the 45.4 miles additional haul on the Central Railroad, plus 15% per ton), would advance the rate somewhat beyond 95 cents per ton, assuming 15% would be the logical and scientific basis for rate increase, as claimed, instead of 15 cents per ton. The revenue per ton per mile of rate of 95 cents per ton from Camden to Newark is 7.5 mills for the joint haul of the Central Railroad and the Atlantic City Railroad; 11.7 mills for the Pennsylvania Railroad.

Being a one-line haul for the Pennsylvania Railroad, it would have the benefit of the entire revenue, while the joint rate of the Atlantic City Railroad and the Central Railroad is apportioned.

To answer affirmatively complainants' allegation that the horizontal increase of 15 cents per ton is illogical and unscientific, would be to take a position diametrically opposite to that of the Interstate Commerce Commission, which authorized an increase of 15 cents per ton on interstate traffic simultaneously with the establishment of a similar advance on intrastate coke rates. Opposed to complainants' contention also is the action of the Federal Director General of Railroads, by whose authority coke rates were increased in the month of June, 1918, 15 cents per ton on rates up to 49 cents per ton (2,000 pounds); 25 cents per ton on rates 50 cents to 99 cents per ton; 40 cents per ton on rates \$1 to \$1.99 per ton; 60 cents per ton on rates \$2 to \$2.99 per ton, and 75 cents per ton where rate is \$3 per ton or higher. These increases represent additions to coke rates advanced 15 cents per ton on interstate and intrastate traffic in June, 1917.

Recognizing the importance of efficiently maintaining railroads under existing conditions, and the necessity for increased revenue, the standard of increase in coke rates having been established by the Federal Director General of Railroads on a horizontal basis higher in some respects than that under consideration, the Board is of the opinion that upon the record before it in this case it would not be justified in taking a position inconsistent with that of the Interstate Commerce Commission and the Federal Director General of Railroads.

Evidence is lacking supporting the claim of unreasonableness of the rates involved, or discrimination, and in the absence of such evidence the Board would not be warranted in disturbing

Morris County Traction Co.—Increased Rates.

the increase of 15 cents per ton applying on shipments between Camden and Newark. The complaint is, therefore, dismissed as to this rate and all other intrastate coke rates on the Atlantic City Railroad and Central Railroad that would be directly affected by a proportionate reduction of the increase in rates of 15 cents per ton.

Dated November 20th, 1918.

No. 637.

IN THE MATTER OF THE APPLICATION OF MORRIS COUNTY TRAC-
TION COMPANY FOR INCREASED RATES OF FARE.

Application is made by an electric railway to increase its rates. *Held—*

In the present abnormal times an emergency exists and that in order to render the public continuous, safe, adequate and proper service the petitioner will be required to raise the amount estimated to be produced by the proposed tariff.

Elmer King, for the Morris County Traction Company.

John K. English, for Union Township.

Frank H. Pierce, for the Town of Boonton.

Application was made by the Morris County Traction Company, operating in the following municipalities, Millburn Township, City of Summit, Morris Township, Rockaway Township, Town of Boonton, Wharton Borough, Rockaway Borough, Union Township, Chatham Borough, Town of Morristown, Randolph Township, Boonton Township, Roxbury Township, Springfield Township, Madison Borough, Hanover Township, Denville Township, Town of Dover, Mt. Arlington Borough for the following increase in fares:

Morris County Traction Co.—Increased Rates.

“Six cents as a rate to be charged where five cents is now charged. Three cents to be charged where two and one-half cents is now charged. That all six-for-a-quarter tickets be abolished and that the petitioner be given such further and other relief as may seem reasonable and proper.”

Due notice of the application was given, and hearings were held on September 25th and October 2d, 1918. The application was based on the increased costs of operation, and on leave, was amended at the hearing to an emergency application.

Mr. English, representing Union Township, stated that so long as the relief is based on an emergency petition and made an emergency order, only for the period of the war, or a shorter period, they were willing to leave the matter to the discretion of the Board, and made no other objection.

Mr. Pierce stated he had no evidence to offer, but appeared to register a protest in behalf of the Town of Boonton, which claimed that a fare of ten cents charged between Boonton and Denville, giving a transfer in any direction, Mt. Tabor or Rockaway, is a discrimination against the passenger who did not care to go the greater distance, and further, that the passenger who desired to go to Denville, should only pay one fare of five cents.

Originally there was outstanding the following bonded indebtedness:

Issue dated June 15th, 1905, for thirty years, \$3,000,000. at 5 per cent., secured by mortgage.

Issue dated January 6th, 1913, for thirty-five years, \$1,179,000, at 5 per cent., secured by mortgage.

Issue dated August 1st, 1914, for nine years, \$27,323.34, series A-6 per cent., secured by equipment trust mortgage.

Issue dated May 1st, 1916, for eight years, \$19,000, series B-6 per cent., secured by equipment trust mortgage.

In 1913 the company reduced its capital stock from \$3,000,000 to \$300,000, as required by this Board. The bondholders of the \$3,000,000 issue surrendered ten serial coupons, commencing with December 15th, 1917, and accepted in substitution thereof

 Morris County Traction Co.—Increased Rates.

ten coupons bearing interest at 2%, and another set of coupons bearing interest at 3%, dependent upon income, and the bonds secured by the general mortgage for \$1,179,000, were surrendered and the mortgage canceled. New thirty-year debenture bonds were accepted, with interest at 5%, payable only out of income, and subordinated to the payment of 5% annually on the \$3,000,000 issue. This bondholders' agreement was approved by the Board December 18th, 1917. Series A of bonds, secured by equipment trust mortgage, has been reduced to \$23,066.68. Series B of bonds, secured by equipment trust mortgage, has been reduced to \$16,500. The total of bonds issued and outstanding amount to \$4,218,566.68.

No interest was paid on either the first or the general mortgage from June, 1913, until December 15th, 1917, when deferred coupons, aggregating \$46,125, due June, 1913, and coupons due December 15th, 1917, 2%, amounting to \$30,000, were paid; and in June, 1918, \$30,000, at the rate of 2% were paid. No dividend has ever been paid to stockholders.

The following indicates the sum of money required to pay the interest on all outstanding bonds, except so far as may be qualified by the "bondholders' agreement:"

\$3,000,000 at 5 per cent.	\$150.000
\$1,179,000 at 5 per cent.	58,950
Series A equipment trust mortgage, \$23,066.68 at 6 per cent.	1,384
Series B equipment trust mortgage, \$16,500 at 6 per cent.	990
	<hr/>
	\$211,324

I. CAPITAL USED AND USEFUL.

On page 26 of Exhibit P-1 the company claims a value of its property as of the present time (1918) of \$3,901,933.02. This is arrived at by taking the values of \$3,648,673.71, compiled from the report of Philander Betts, the Board's chief inspector, as of 1912, and adding thereto net additions of \$253,259.31.

The company estimated that, based on the passengers carried in 1917, the increased fare would aggregate \$80,998.17. That the estimated loss through shrinkage of traffic would amount to

Morris County Traction Co.—Increased Rates.

33¹/₃% of the \$80,998.17, or \$26,999.39, leaving the net increase \$53,998.78—Exhibit P-1, p. 26. It is to be noted that the decrease of approximately \$27,000, which is 33¹/₃% of the total increase of \$80,998.17, is a decrease of only 5.56% of the gross revenue from transportation of \$485,317.

II. ESTIMATED REVENUE UNDER PROPOSED TARIFF.

In Table I the estimated revenue for 1918, if the proposed tariff had been in effect, is shown to be \$461,573. Table I follows:

TABLE I.

ESTIMATED REVENUE FOR 1918 ON BASIS OF PROPOSED TARIFF
(CENTS OMITTED).

Based on Ex. P-1, p. 23, and on 1917 Ann. Rep., p. 22.

Class of Fare Now in Force	Number Collected.	Proposed Average Fare.	Amount.
Cash fares	6,731,330*	6c.	\$403,880
Suplex	301,581*	25.46c.	76,783
School	128,142*	3c.	3,845
6 tickets for 25 cents	13,481*	6c.	809
Revenue from transportation, gross			\$485,317
Estimated loss from higher fares			27,000
Estimated revenue on new basis			\$458,317
Other revenue from transportation (Accts. 302 to 309)			2,180*
Non-transportation revenue (Accts. 310 to 317)			2,071*
Total operating revenue			\$462,568
Non-operating revenue			2,006*
Total estimated operating and non-operating revenue			\$464,574

*Taken same as in 1917.

Morris County Traction Co.—Increased Rates.

III. ESTIMATED OPERATING EXPENSES, TAXES AND RENTALS FOR 1918.

The estimated operating expenses, taxes and rent for lease of road for 1918 will be shown in Table II, which follows:

TABLE II.

COMPARATIVE STATEMENT OF OPERATING EXPENSES, TAXES AND LEASE OF ROAD FOR 1917 AND 1918 (CENTS OMITTED).

Items.	1917. Actual. (1)	1918. Increases. (2)	1918. Estimated. (3)
I. Ways and structures	\$35,413	\$5,535	\$40,948
II. Equipment	21,199	3,782	24,981
III. Traffic	113	.....	113
IV. Conducting transportation	172,980	10,002	182,982
V. General and miscellaneous	37,959	3,796	41,755
Operating expenses	\$267,664	\$23,115	\$290,799
Taxes	26,582	1,329	27,911
Revenue deductions	\$294,246	\$24,444	\$318,690
Rent for lease of road	30,973	?	30,973?
Total of items	\$325,219	\$24,444	\$349,663

IV. RECAPITULATION OF OPERATING RESULTS ESTIMATED TO BE PRODUCED BY THE PROPOSED SCHEDULE OF FARES IF IT HAD BEEN EFFECTIVE FOR 1918.

Estimated revenue as in Table I.....	\$464,574
Estimated expenses, taxes and lease of road	349,663
Estimated income remaining to provide for return on capital and de- preciation thereof	\$114,911

- (1) Based on 1917 annual report to the Board.
- (2) Based on Exhibit P-1, p. 13.
- (3) The sum of (1) and (2).

Morris County Traction Co.—Increased Rates.

There is not sufficient evidence before the Board to determine the amount of property on which petitioner is entitled to earn a fair return, nor is it necessary in the present emergency. Nevertheless, it is pertinent to emphasize the fact that the estimated net amount of \$114,911 will not pay interest in full on all bonds outstanding and is about 3.83% on the \$3,000,000 of first mortgage bonds outstanding and about 2.72% on the total bond indebtedness, aggregating \$4,218,516.68.

The exigencies of the times demand prompt action, and in order to afford such relief as is necessary to permit the company to continue proper service, we will approve the schedule of increased fares, as submitted.

The Board finds and determines:

That in the present abnormal times an emergency exists, and that in order to render the public continuous, safe, adequate and proper service, the Morris County Traction Company will be required to raise additional revenue to an amount of at least \$53,998.78 per annum, this being the amount estimated by the petitioner to be produced by the proposed tariff, which estimate we find to be reasonably accurate.

The Board will permit the company to withdraw the sale of tickets at the rate of six for twenty-five cents and the flat cash fare of five cents; also the special fare of two and one-half cents, and to file in lieu thereof, an emergency tariff, providing for a flat fare of six cents in each existing zone for each passenger where five cents is now charged, and three cents as a rate to be charged where two and one-half cents is now charged, on the following conditions:

(a) Acceptance by the company of the increase herein allowed will be taken as a stipulation that abrogation or modification of the rates permitted to be filed may be made as and if conditions as indicated by operating results warrant.

(b) The company shall promptly file with the Board for each calendar month beginning with the month of November, 1918, during which the rates permitted to be filed are charged, a complete comparative income statement for each corresponding month prior thereto of its operations, showing revenue and revenue deductions, classified in accordance with the uniform system of ac-

Atlantic Coast Electric Railway Co.—Increased Rates.

counts for street or traction railway utilities (first issue) prescribed by this Board, together with mileage, traffic and miscellaneous statistics, as required on page 35 of the form of annual report, now required to be filed by the Board.

(c) The Board will retain jurisdiction of the rates permitted to be filed as herein approved, for the purpose of modifying or abrogating same as and if the conditions warrant.

Dated November 20th, 1918.

No. 638.

**APPLICATION OF ATLANTIC COAST ELECTRIC RAILWAY COMPANY
FOR INCREASE IN RATES OF FARE.**

1. Application is made by an electric railway to increase its fare from five cents to seven cents in each fare zone.

2. The Board in a prior proceeding ordered the company to give transfers to passengers boarding its cars at certain points. Appeal from this order has been taken to the United States Supreme Court and the order has never been put into effect.

3. The Board has power to increase rates notwithstanding the existence of municipal ordinances, accepted by a utility limiting the rate.

4. It would be manifestly unfair to permit a utility to take all the benefits of regulation and none of the limitations.

5. From the proofs submitted the Board would not be justified in permitting the imposition of a seven-cent fare and concludes that a six-cent fare is just and reasonable.

6. The collection of a six-cent fare will be permitted provided the company will give transfers in accordance with the order of the Board heretofore made.

Frank Durand and Robert H. McCarter, for the company.

Ward Kremer, for Bradley Beach.

Mayor C. E. F. Hetrick, for Asbury Park.

L. Edward Herrmann, for the Board.

Atlantic Coast Electric Railway Co.—Increased Rates.

The Atlantic Coast Electric Railway Company operates trolley cars over its lines from North Long Branch, through the City of Long Branch, Borough of Deal, Borough of Allenhurst, Township of Ocean, City of Asbury Park, Borough of Bradley Beach, Borough of Avon, Borough of Belmar, Borough of Spring Lake, Borough of Sea Girt, and a portion of the Township of Wall to Manasquan. This territory is divided into five fare zones.

The fare in each zone now in effect is 5 cents, and application is made to increase the fare in each zone to 7 cents.

The petition alleges that the cost of maintaining and operating its system largely increased in 1917 and abnormally increased in the year 1918.

The petitioner charges that the present rate of fare is unjust, unreasonable and insufficient to allow it to give efficient service and maintain the integrity of the physical property.

The petition expressly requests "that the Board consider the petition on its merits and that the rates to be determined by the Board * * * during the present period of high costs are * * * to be altered or abrogated as and if operating conditions warrant." The petition is therefore treated as an application for emergency relief required by existing conditions.

Notice of the proposed increase in rates of fare was given to the governing bodies of the respective municipalities affected thereby.

The City of Asbury Park entered a formal appearance and alleges that the Atlantic Coast Electric Railway Company is operated under a franchise granted by ordinance entitled, "An ordinance granting to the Seashore Electric Railway Company a location of the tracks of its railway over portions of certain streets and avenues in the Borough of Asbury Park."

Section 9 thereof reads as follows:

"That said company shall not charge any passenger for a continuous ride more than five cents from any point on the route hereinabove described, or any extension thereof within this borough, and that children under five years of age, not occupying seats, and in company with persons of full age, shall be transported free of charge, and that all policemen, while on duty, shall be permitted to ride on the cars of said company free of charge."

Atlantic Coast Electric Railway Co.—Increased Rates.

The said Atlantic Coast Electric Railway Company is operating said railway under lease from the said Seashore Electric Railway Company, and is subject in the operation of said railway, to the terms and provisions of said ordinance. The City of Asbury Park submits that under said ordinance said railway company is precluded from charging an increased rate within the limits of the City of Asbury Park.

In addition to the said formal answer, there is submitted the further claim on behalf of the City of Asbury Park, in a letter dated September 16th, 1918, and signed by W. C. Burroughs, Director of Revenue and Finance, to James D. Carton, City Solicitor, the following:

“Responding to your favor enclosing a memorandum of the answer of the City of Asbury Park to the application of the Atlantic Coast Electric Railway Company for an increase of rates, in which you ask if I have any suggestions to make prior to your filing an answer, beg to advise you that prior to responding to the same I have submitted it to my fellow-commissioners, and the suggestion is made that you outline, in addition to the fact that the franchise in Asbury Park and given to the Seashore Electric Railway Company under the agreement to pay the interest on its bonds and substantial dividends on its stock, is looked upon as a particularly valuable one, and that even in view of the high cost of labor, materials, etc., that the operation of this franchise, exclusive of the other operations of the Atlantic Coast Electric Railway Company, with this rate of fare, should still be particularly remunerative and profitable.”

This last-mentioned letter is forwarded to the Board by Durand, Ivins & Carton, with a request that it be made a filed paper in the proceeding.

The Borough of Bradley Beach, by resolution duly adopted, opposes the increase of fare asked for so far as the same relates to fares in said borough.

Hearings were held in Newark September 25th, October 16th, 30th and November 6th.

Atlantic Coast Electric Railway Co.—Increased Rates.

The question of the jurisdiction of the Board presented by Asbury Park, in which the ordinance had been passed by the municipality and accepted by the Seashore Electric Railway Company (the predecessor of the petitioner) limiting the rate of fare to be charged within the city limits, was duly considered by the Board. The courts of our State have repeatedly held that this Board has power to increase rates, despite the existence of such ordinances. The question is no longer debatable.

The company presented an inventory and appraisal of its property as of July 1st, 1918, wherein the value of the property is claimed to be \$2,285,565.58. This was not pursued with sufficient detail to justify the Board in accepting it as the true value of the property. The items of car barn buildings, \$63,828.53; land and buildings, power plant, \$39,538.46; equipment at power plant, \$496,393.35; right of way, \$120,000; organization, \$105,979.30; working capital, \$60,000, and the arbitrary addition of 25% on "account of increased cost of materials, which we assume to be a fair average for pre-war and present prices," \$423,917.26, requires a thorough investigation and check before the same could be intelligently passed upon.

The petitioner has outstanding capital stock to the amount of \$1,000,000 and a bonded debt of \$1,800,000. Included in its assets are stock of the Atlantic Coast Electric Light Company, \$100,000; stock of the Seashore Electric Railway Company, \$150,000; stock of West End and Long Branch Railway Company, \$100,000; stock of the Sea Coast Traction Company, \$100,000; stock of the Asbury Park and Sea Girt R. R. Company, \$100,000; bonds of the Asbury Park and Sea Girt R. R. Company, \$50,000; bonds of the Sea Coast Traction Company, \$100,000.

The railway company owns the power plant at Allenhurst and generates electric current not only to supply its trolley system, but also to supply municipal street lighting and domestic consumers with electricity for heat, power and lighting.

Atlantic Coast Electric Railway Co.—Increased Rates.

OPERATING EXPENSES.

In Exhibit P-10 the company submitted a comparative statement of receipts and expenditures for 1917 and 1918, 1918 being on the basis of eight months' actual experience and four months estimated. This exhibit made no attempt to allocate the operating expenses and revenue to the railway operation proper.

In Exhibit P-12, the company sought to make this allocation. Taking up Exhibit P-12, the Board cannot agree with respect to the apportionment for railway purposes in the following items:

(1) Maintenance for power plant equipment for 1918 is estimated to be \$14,024, as shown on Exhibit P-10. The Board regards this estimate as excessive. The average amount charged to this account for 1914, 1915 and 1916 is \$6,296. The company's estimate is \$7,728 in excess of this. This is (from information in possession of the Board) largely, if not entirely, due to the fact that the company has been installing new boilers and has had considerable difficulty in operating during such installation. It is not considered that this condition will be permanent, as the company, through its representatives, has assured the Board that the boiler plant is now in condition to give continuously adequate service. For this item the Board will assume that \$7,000 a year is a fair amount, and will apportion 42% of this \$7,000 to railway uses. This 42% is based on the use of D. C. current, which, to a certain extent, favors the company, as it includes not only the Atlantic Coast Electric Railway Company's use of current, but the D. C. current sold to the Monmouth Lighting Company.

(2) With respect to accounts entitled "Power Plant Employees," "Fuel," "Lubricants," and "Miscellaneous Expense," under the general title, "Power," the same method of allocation is used and applied to the estimated expense shown by the company on Exhibit P-10. This will give a figure of \$74,080 instead of \$89,954, as apportioned by the company.

(3) General Expense. The company estimates that for 1918 superintendence will cost \$6,042 and general expense \$37,710,

Atlantic Coast Electric Railway Co.—Increased Rates.

a total of \$43,752, all of which is allocated by the company's expert to railway expense. Inasmuch as a considerable portion of the operations of this company is devoted to the generation and sale of power to other companies, it is considered that this overhead expense should be apportioned in such a manner that these sales should bear a proper amount of the overhead expense. The ratio of expenses and taxes allocated to railway use, other than the expenses in question, to all such expenses, is 70%, it seems fair to allocate to sales of current to other companies 25%, and to allocate 75% of \$43,752, or \$32,814, to the railway expenses proper.

(4) Taxes. In the company's estimate, 85½% of all taxes is allocated to railway use. This does not appear to be a proper allocation, for the reason that the franchise and income taxes are related to the income of the company, and not directly related to value as are real estate and personal property tax. Making this correction, the Board will allocate \$24,668 to railway taxes.

In all of the above allocations the company is favored through the inclusion of sales of D. C. power to the Monmouth Lighting Company.

Table I is a recapitulation of the charges and apportionment, and shows the total decrease in operating expenses allocated to the railway to be \$33,852.

TABLE I.

CHANGES IN APPORTIONMENT OF CERTAIN EXPENSES FOR THE YEAR 1918.

	As Apportioned By			
	Company		Bd. P. U. C.	
	Ref.	Amt.	Ref.	Amt.
Maintenance of power plants	P-12	\$7,152	Sh. A	\$2,940
Expenses of power plants	P-12	89,954	Sh. A	74,080
Overhead expenses (R-448 and R-473 to 486)	P-12	43,752	Sh. A	32,814
Taxes	P-12	27,496	Sh. A	24,668
		\$163,354		\$134,502
Decrease in expenses allocated to railway operation				\$33,852

Atlantic Coast Electric Railway Co.—Increased Rates.

ESTIMATED INCOME FOR 1918 ON TWO BASES.

In its Exhibit P-12 the company submits an estimate of the revenue expected to be received by it from transportation, chartered cars, advertising in cars and sale of D. C. current, and based on the theory that a 7-cent fare prevailed during 1918, where a 5-cent fare is now paid. The total revenue on this basis as estimated by the company, is \$405,579.

The Board is of the opinion, however, that, due to interruptions in service and consequent diversion or loss of traffic, the company, on the basis of a 5-cent fare during 1918, will have lost at least \$10,000, or on the basis of a 7-cent fare, will have lost \$14,000. This \$14,000, added to the company's estimate, makes a total modified revenue from railway operations and sale of D. C. current of \$419,579. Adding \$891 for miscellaneous revenue, gives total estimated receipts on the basis adopted by the company (modified as indicated) of \$420,470. A similar estimate prepared by the Board indicates the total revenue, on the basis of a 6-cent fare, of \$363,953.

INCOME STATEMENT FOR 1918 AS ESTIMATED BY THE COMPANY
AND MODIFIED BY THE BOARD.

Table II is a condensed income statement for 1918 prepared on two bases, first that the company shall have enjoyed a 7-cent fare throughout the year, that it should have received \$14,000 more revenue as indicated above and its operating expenses, owing to reapportionment, will be decreased by the amount of \$33,852 as compared with the company's Exhibit P-12. The income deductions for fixed charges apportioned to railway operation are taken as estimated by the company. A similar estimate is given in a parallel column on the basis of a 6-cent fare. These two estimates are brought together in Table II, which follows:

Atlantic Coast Electric Railway Co.—Increased Rates.

TABLE II.

INCOME STATEMENT FOR 1918 ON BASES ASSUMED.

(A) On basis of seven-cent fare estimated by company in Ex. P-12, corrected by deducting \$33,854 from expenses, and adding \$14,000 to revenue.
(B) On basis of six-cent fare, corrected by deducting \$33,854 from deductions and adding \$12,000 to revenue.

	(A) 7c. fare.	(B) 6c. fare.
Transportation receipts <i>based on company's estimate</i> ...	\$386,316	\$331,799
Chartered cars	225	225
Advertising in cars	1,200	1,200
Power D. C. current	17,838	17,838
Revenue from operation (estimated on company's basis),	\$405,579	\$351,062
Revenue estimated to be lost by inadequate service....	14,000	12,000
Modified revenue from operations	\$419,579	\$363,062
Miscellaneous revenue	891	891
Estimated receipts	\$420,470	\$363,953
Operating expenses and taxes	\$292,679	
	33,852 less	
	258,827	258,827
	\$161,643	\$105,126
Income deductions estimated by company	94,756	94,756
Surplus for year (estimated on basis assumed)	\$66,887	\$10,370

An inspection of Table II indicates that, had the company received a 6-cent fare during 1918 where a 5-cent fare was actually received, it would have practically met its fixed charges, irrespective of the estimated loss of revenue of \$12,000.

It appears reasonable to assume that costs of labor and material have reached a maximum, and that when there is any change the trend of same hereafter will be on a descending scale.

Notwithstanding the loss which the company has sustained by inefficient management, there is nevertheless merit in its claim of diminished revenue, owing to abnormally increased costs of labor and materials employed in the maintenance and operation of the street railway system. From the proofs submitted, the Board would not be justified in permitting the imposition of a

Atlantic Coast Electric Railway Co.—Increased Rates.

7-cent fare and conclude that a 6-cent fare is, under all the circumstances, just and reasonable, subject to certain conditions hereinafter detailed.

On February 9th, 1916, the Board made an order in the matter of the complaint of the Borough of Bradley Beach against the Atlantic Coast Electric Railway Company, requiring the company to give passengers boarding its northbound cars in Bradley Beach transfers to its cars operating easterly on Cookman Avenue, permitting them to ride on Cookman easterly as far as Kingsley Street, Asbury Park, for five cents, and to give to passengers on the westbound cars on Cookman transfers to the southbound cars on the Belmar line, which last-mentioned transfers shall be good for a ride on the Belmar line to the southerly boundary of Bradley Beach. The entire record of the former application of the Borough of Bradley Beach has been incorporated into the present case by consent of counsel.

The legality of the said order of the Board requiring the company to issue the transfers aforesaid has been sustained by the Court of Errors and Appeals of this State. Notwithstanding this adjudication by our highest court, the trolley company has not complied with the order, but by appeal has removed the proceedings to the United States Supreme Court for review.

There is no criticism of the appeal, but it would be manifestly unfair to permit the company to take all the benefits of regulation and none of the limitations. Under the conditions existing prior to January 1st, 1916, the Board found and determined that a fare of five cents on the Belmar line should entitle the passenger to a transfer on the Cookman Avenue line to Kingsley Street, Asbury Park. From the facts before us, there could be no possible justification for the Board permitting the company at this time to make a charge of twelve cents for the same ride.

The application for permission to charge a fare of seven cents is denied.

For reasons stated the Board will, however, permit the company to file a tariff providing for a rate of fare of six cents in each fare zone where five cents is now charged, on the following conditions:

Atlantic Coast Electric Railway Co.—Increased Rates.

(a) Acceptance by the company of the increases herein allowed will be taken as a stipulation that abrogation or modification of the rates permitted to be filed may be made as and if conditions as indicated by operating results warrant.

(b) That the company will, with the collection of the 6-cent fare herein permitted, give, without charge, to passengers boarding its northbound cars in Bradley Beach (when requested) transfers to its cars operating easterly on Cookman Avenue, permitting them to ride on Cookman Avenue easterly as far as Kingsley Street, Asbury Park, and give, without charge, to passengers on the westbound cars on Cookman Avenue transfers (when requested) to its southbound cars on the Belmar line (which last mentioned transfer shall be good for a ride on the Belmar line to the southerly boundary of Bradley Beach), in accordance with the order of this Board, dated February 9th, 1916.

(c) The company shall promptly file with the Board for each calendar month, beginning with the month of December, 1918, during which the rates permitted to be filed are charged, a complete comparative income statement for each corresponding month prior thereto of its operations, showing revenue and revenue deductions, classified in accordance with the uniform system of accounts for street or traction railway utilities (first issue) prescribed by this Board, together with mileage, traffic and miscellaneous statistics, as required on page 35 of the form of annual report now required to be filed by the Board.

(d) The Board will retain jurisdiction of the rates permitted to be filed as herein approved, for the purpose of modifying or abrogating same as and if the conditions warrant.

Dated November 29th, 1918.

Asbury Park—Complaint of Service Rendered.

No. 639.

COMPLAINT OF ASBURY PARK OF THE SERVICE RENDERED BY THE
ATLANTIC COAST ELECTRIC RAILWAY COMPANY AND THE
ATLANTIC COAST ELECTRIC LIGHT COMPANY.

An electric railway, failing to furnish safe, adequate and proper service is ordered to keep in stock necessary materials and supplies to maintain its cars in good repair, to rearrange its distribution system, and to report interruptions of service.

Mayor Clarence E. F. Hetrick, for the city.

Frank Durand and *Robert H. McCarter*, for the companies.

H. C. Eddy, Senior Inspector of Traffic, for the Board.

A communication, dated August 27th, 1918, was received from Harry B. White, City Clerk of Asbury Park, N. J., in which he states that he has been instructed to file with the Board a complaint of the service rendered by the Atlantic Coast Electric Railway Company and the Atlantic Coast Electric Light Company "during the past month."

The complainant states that there have been many interruptions to the trolley and lighting service during the period referred to, owing to the power plant supplying both the companies concerned having been shut down, and mentioned specific instances in support of this statement.

It is pointed out by the complainant that the traveling public, householders, hotels and all business houses of the city have been put to great financial loss and inconvenience. The communication concludes with a request that the Board make a thorough investigation as soon as practicable and to take such steps as may be necessary to have the condition remedied.

These matters involve both electric light and trolley service. The power plant being owned and operated by the railway company and the trolley service having been involved to a greater ex-

Asbury Park—Complaint of Service Rendered.

tent than the lighting service, both matters were, by consent, heard together, before the Board, at Newark.

There were many interruptions of the service during both the season of 1917 and 1918, due to failure at the power plant.

There have been three principal causes of these failures:

(1) Insufficient boiler capacity.

(2) Inferior coal.

(3) Failure on many occasions of the condensing apparatus attached to the principal generating unit.

It was clearly demonstrated by the testimony, however, that if it had not been for the first condition little or no interruption to the service would have occurred. This is particularly true of the interruptions which occurred during the season of 1918. Failure on the part of the company to keep in stock a sufficient supply of spare parts for the boilers was a potent factor in the lack of sufficient boiler capacity. This, in fact, was directly responsible for the longest and most serious interruption to the trolley service, which occurred August 22d, 1918, when not a wheel was turned on the Belmar Division from 9:50 A. M. until 11:18 P. M., and on the Long Branch Division from 10:20 A. M. until 11:18 P. M.

The fact that no portion of the new boiler plant was in service during the season of 1917, coupled with the fact that it was necessary to renew several of the old boilers in order to install the new, was the direct cause of insufficient boiler capacity during that period. Two of the total new equipment of four 600 H. P. boilers were placed in service, one August 26th and the other August 27th, 1917. It will be noted that this was very near the end of the season.

The causes of interruption were somewhat varied, but were due largely to the inferior coal and failure of boiler tubes. Much trouble continues to be experienced with the mechanical stokers attached to boilers numbers one and two, which constitute the first pair of the new boiler equipment.

The boiler tube failures are confined almost entirely to these two boilers. It is evident that there is something radically wrong with this equipment.

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Asbury Park—Complaint of Service Rendered.

Considerable trouble was experienced with water overflowing from the boilers into the condensers. This is a trouble which can usually be avoided by careful operation. Further trouble was experienced with the turbine driving the circulating pump attached to the condenser of the large turbine unit. This piece of apparatus has been renewed, and is to be replaced by a larger and more efficient type. It appears that more trouble has recently been experienced in this plant than is consistent with good equipment, properly operated.

The third and fourth new boilers were placed in service in October, 1918. With the four new boilers and stokers properly maintained and operated, no further interruptions in service should result from lack of sufficient boiler capacity.

Coal containing iron ore in considerable quantities was received at the plant in 1917 and again in the summer of 1918. The result of this was the choking up of the dumping grates and the stokers, making it often impossible to properly operate either. With a full boiler capacity installed as planned, however, which allows for a large reserve capacity at the heaviest loads, this difficulty would not have been a potent factor in the case.

The trouble with the condensing apparatus above referred to has been varying in character. In the summer of 1917 foreign matter drifted into the circulating water, resulting in serious damage to the circulating pump. This was caused directly through the lack of proper protection at the circulating water intake. After the trouble the protection was provided. Troubles with the condensing apparatus this year have been chiefly in connection with the governor and bearings of the turbine-driven circulating pump.

For months there was insufficient skilled labor employed at the power house. This is not believed to be due entirely to the general shortage of labor existing everywhere, but in large measure to lack of realization of the necessity for additional employees in the early part of the summer.

Until recently, at least, the engineer on watch was entirely alone in the engine room. In a plant of this size and character an assistant oiler, competent to look after ordinary operation during the temporary or enforced absence of the engineer, which not

Asbury Park—Complaint of Service Rendered.

infrequently occurs (such as visits to the boiler room), should be employed.

A stoker expert has recently been employed. This should improve the situation materially.

In connection with the interruptions of the service of the Atlantic Coast Electric Railway Company, due to power house troubles, it should be borne in mind that not only the entire seashore service from Sea Girt to North Long Branch and much of the lighting and commercial power service is affected, but also the trolley service from Long Branch to Red Bank is also concerned, in that power is received from this plant for operating the Monmouth County Electric Company's lines in that territory.

The serious delays commenced August 17th and continued intermittently to October.

Inadequacy of the service and improper service furnished by the company during the seasons of 1917 and 1918, other than that resulting from the failure of power, have been frequently noted. They emphasize the need of more efficient management.

The operation of the system as a whole, independent of the power interruptions, has been far from satisfactory. This has been due in a measure to shortage of cars in service, which, in turn, has been due to various conditions, and could no doubt have been avoided by proper foresight.

The schedules, particularly on the Belmar Division, have frequently been inadequate and the headways exceedingly irregular, resulting, as is always the case under such circumstances, in crowded cars and a dissatisfied patronage.

Another condition affecting the operation of the system is an arrangement of the distribution system, whereby when there is line trouble on the Belmar Division, the Loop, or "Belt" line, as it is called, in Asbury Park, is affected and cannot be operated. At present the distribution system is divided into two sections only, the dividing line being at the car barn. A third division, or section, including the "Belt," and that portion of the system extending from the "Belt" to the car barn could be arranged without great expense and should be so improved.

The Board, therefore, having in mind the entire situation as needed by the record, finds and determines that:

Asbury Park—Complaint of Service Rendered.

The Atlantic Coast Electric Railway Company has frequently failed to furnish safe, proper and adequate service and has frequently failed to keep and maintain certain of its property and equipment hereinafter mentioned in condition to enable it to furnish such service, and that in order to render safe, proper and adequate service and to keep and maintain its property and equipment in condition to enable it to do so it should do the following:

1. Maintain the equipment at its power station in proper operating condition and keep in stock such materials and supplies as may be necessary to reasonably assure the maintenance of the equipment in proper operating condition.

2. Maintain its cars at all times in such condition that they shall be clean; that the brakes, trucks, motors, controllers, and all other mechanical and electrical equipment shall be kept in good repair and in proper operating condition, and that all parts of the car body shall be kept in good repair.

3. Keep in operation upon all lines at all times a sufficient number of cars in good condition so that there shall be no interruption of the schedules in effect because of insufficient or faulty equipment.

4. Make such rearrangement of its distribution system that power may be supplied to what is known as the "Belt" line in Asbury Park at such times as it may be necessary to shut the current off any other division of the system on account of trouble in connection with the overhead line.

5. Beginning with January 1st, 1919, furnish the Board with monthly statements containing information relative to any conditions developing at its power plant resulting in interruption of five minutes or more to any of the service furnished by said power plant. Such information shall indicate the cause of the interruption; the duration of the period of interruption, the time of day at which it occurred, the class of the service affected thereby and the remedy applied by the company.

6. Beginning January 1st, 1919, furnish the Board with monthly statements indicating all interruptions of trolley service of five minutes or more. This statement shall contain information relative to the division or line affected, the number of the car or cars delayed, the direction in which such cars are operat-

Asbury Park—Complaint of Service Rendered.

ing, the point on the line where the interruption in service originated, cause of such interruption, the length of duration and time of day of the interruption.

7. Beginning with January 1st, 1919, furnish the Board with monthly statements indicating all interruptions of service of five minutes or more furnished to the Atlantic Coast Electric Light Company. This statement shall contain information relative to the character of service affected, the territory affected, the length of duration and the time of day of the interruption.

An order in accordance with these findings will be made.

Dated November 29th, 1918.

ORDER.

This matter having been duly heard and the Board having, on November 29th, 1918, made and filed a report containing its findings of fact and conclusions thereon, which report, by reference thereto herein, is made part hereof, the Board HEREBY ORDERS AND DIRECTS the Atlantic Coast Electric Railway Company to do and perform the following:

1. Maintain the equipment at its power station in proper operating condition and keep in stock such materials and supplies as may be necessary to reasonably assure the maintenance of the equipment in proper operating condition.

2. Maintain its cars at all times in such condition that they shall be clean; that the brakes, trucks, motors, controllers, and all other mechanical and electrical equipment shall be kept in good repair and in proper operating condition, and that all parts of the car body shall be kept in good repair.

3. Keep in operation upon all lines at all times a sufficient number of cars in good condition so that there shall be no interruption of the schedules in effect because of insufficient or faulty equipment.

4. Make such rearrangement of its distribution system that power may be supplied to what is known as the "Belt" line in Asbury Park at such times as it may be necessary to shut the current off any other division of the system on account of trouble in connection with the overhead line.

Northampton, Easton and Washington Traction Co.—Increased Rates.

5. Beginning with January 1st, 1919, furnish the Board with monthly statements containing information relative to any conditions developing at its power plant resulting in interruption of five minutes or more to any of the service furnished by said power plant. Such information shall indicate the cause of the interruption, the duration of the period of interruption, the time of day at which it occurred, the class of the service affected thereby and the remedy applied by the company.

6. Beginning January 1st, 1919, furnish the Board with monthly statements indicating all interruptions of trolley service of five minutes or more. This statement shall contain information relative to the division or line affected, the number of the car or cars delayed, the direction in which such cars are operating, the point on the line where the interruption in service originated, cause of such interruption, the length of duration and time of day of the interruption.

7. Beginning with January 1st, 1919, furnish the Board with monthly statements indicating all interruptions of service of five minutes or more furnished to the Atlantic Coast Electric Light Company. This statement shall contain information relative to the character of service affected, the territory affected, the length of duration and the time of day of the interruption.

This order shall become effective December 26th, 1918.

Dated December 3d, 1918.

No. 640.

**APPLICATION OF NORTHAMPTON, EASTON AND WASHINGTON
TRACTION COMPANY TO INCREASE RATES OF FARE.**

An electric railway charging a fare of six cents in each of its fare zones is allowed to increase its fare to seven cents, it appearing that its receipts are insufficient to pay operating expenses, fixed charges and taxes.

Northampton, Easton and Washington Traction Co.—Increased Rates.

Thomas A. H. Hay, for the petitioner.

L. M. Lanning, for the Borough of Washington.

L. Edward Herrmann, for the Board.

On August 24th last, Northampton, Easton and Washington Traction Company filed tariffs increasing the fare in each zone on its line from 6c. to 7c. The fare of 6c. per zone was an increase from 5c. per zone, which had been charged by the company until March 11th, 1918, when, upon the application of the company for an increase in rates, the Board, after hearing, permitted the increased rate to become effective.

The company now alleges that the revenue resulting from the increase permitted to become effective by the Board did not result as it had anticipated, in that, the revenue did not meet the operating expenses. September 23d, 1918, was the date upon which it was proposed the further increased rates filed by the petitioner should become effective. On September 10th, 1918, the Board suspended the increase in the existing fares until December 10th, 1918, unless it should, prior to the said date, determine that the said increases were just and reasonable, and approve the same.

Hearing was held November 12th last. Exhibits were offered showing the revenue received by the company for the period of seven months ending July 31st, 1918, and also, for the purpose of comparison, the revenue received and the operating expenses and fixed charges paid during the same period in the year 1917. The deficit from operation in 1917 for this period was \$5,000.87, while the deficit for the same period in 1918 was \$7,577.62; the gross revenue received during this period showing an increase of about 4%, while the operating expenses, without charges for depreciation, increased 20%; the increase in the wages paid showing an increase in 1918 of 7%. A comparative statement was also presented showing the results of operation for the month of August in the years 1917 and 1918. The deficit for August in 1917 was \$75.58, while for 1918 it was \$536.38. A comparative statement for the month of October, 1917 and 1918, was also pre-

Northampton, Easton and Washington Traction Co.—Increased Rates.

sented, in which it was shown that the deficit for that month in 1917 was \$711.06, while in 1918 it was \$3,090.51. The car mileage operated by the company during the months of April, May and June, 1917, was 58,063.42, and for the same period in 1918 was 57,382.39. The cash passengers during these three months in 1917 were 354,234, and in 1918, 316,683. The revenue received by the company during these three months in 1917 was \$18,486.04, as compared with \$19,991.68, while the operating expenses for the same period increased from \$10,648.81 in 1917, to \$11,844.28 in 1918.

An analysis of these figures clearly indicates that the estimate of the officials of the company in the former proceeding as to the results of the increased fare was erroneous. The revenue received from operation under the 6c. fare has not been sufficient to meet the operating expenses and fixed charges. While there has been some increase in the operating expenses, as was anticipated, there has been a decided reduction in the number of passengers carried. Traction officials concede that every increase in rates diminishes traffic. They differ, however, as to the percentage in loss of the number of passengers, and it is doubtful if any average percentage could be ascertained, as so many elements enter into the calculation. The operating results of increased rates have proved so unsatisfactory to many of the utilities, that it becomes pertinent to discuss the policy of meeting the emergency, which still exists; whether it should be met by increasing rates, or whether some other method should not be studied and presented and at least tried.

It is a singular commentary, that almost without exception, applications by utilities for increased rates in the present abnormal times have been opposed strenuously by the public affected. It needs no demonstration to show the extent to which the prices of every article and commodity necessary and used in living have increased. The enormous demands of the war have taxed the great resources of the country; every activity was concentrated in the interest and furtherance of its successful prosecution. The extent to which the supply of labor and materials was diminished and the rates to which the prices and wages mounted was a natural sequence. Utilities were affected, as were individuals. The

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prices of almost, if not all, materials used in manufacturing and distributing their respective products, or in furnishing their respective services increased. Utilities, moreover, were peculiarly affected by the crisis. The Federal Government, recognizing the need of the operation of the utilities in its great war preparations, at their maximum efficiency, they furnishing the products and service most necessary to the many industries engaged in war work, as well as the necessary facilities to the government agencies and cantonments which sprung up everywhere, undertook a partial supervision thereof. It ordered, where necessary or required for war work, increased facilities. To avoid conflict between the utility and its employes, because of disagreement as to wages, etc., of employers, the National War Labor Board was created to arbitrate the matters brought before it, and make orders to carry out the result of its determination from the facts presented to it. Shortly after its creation it had presented to it the matter of fixing the wages of the platform employes of large and important street railway companies. It fixed a scale of wages in excess of the wages then being paid by the companies, and in most cases made its orders retroactive, ordering the scale effective at a date prior to the date of the order. While applications were not made to it by the platform employes of every street railway, the railway companies generally appreciated the necessity of avoiding controversies with employes, and advanced the wages to meet the scale ordered to be paid by the War Labor Board in the cases determined by it. The increases granted to the platform men resulted in an increase to most, if not all, of the other employes of the companies. Any increase granted to a portion, or class, of employes, usually results in an increase to the others. The aggregate increase in the wages of the employes thus becomes a very substantial increase in the operating expenses.

In making these awards, the National War Labor Board, after explaining the necessity for the award of the increase as being the insurance for the functioning of the utility at its maximum efficiency as necessary to the successful conduct of the war, commented that the increase in wages would greatly increase the operating expenses, and urged the local authorities, should an increased rate of fare be necessary, to aid the railway companies to

Northampton, Easton and Washington Traction Co.—Increased Rates.

meet its operating expenses, to grant the required increase in rates.

Affected as they are with a public interest, it was necessary to demonstrate to the public the necessity for any increase in its rates before any such increase was permitted to become effective. Most of the utilities in this State thus affected have made application to the Board for increased rates. They were opposed in most cases by representatives of municipalities in which they sold their product or furnished service, as well as inhabitants thereof, and civic bodies. This opposition is not peculiar to this State, but has been manifested in every other State. Every increase in rate permitted has been unpopularity received by a part of the public and has been the subject-matter of bitter and hostile denunciation.

To what extent this feeling of the public is involved in the reduction in traffic which always results from an increase in rates no one can fairly estimate. It is established, however, that increasing the unit of fare invariably results in reduced traffic. Necessity is one of the chief factors in determining the volume of traffic, so that it is fair to assume that the traffic lost is the short-haul traffic.

It has also been demonstrated that the percentage of decrease in traffic is affected considerably by the amount of the increase. Each additional increase in rates makes the percentage decrease in passengers larger.

The applications for increased rates to this Board were allowed to the extent that service could be maintained, where the facts presented justified such determination. In most, if not all, cases the relief granted was temporary to meet the existing emergency, and allowed to continue so long as the abnormal conditions prevail. Numerous applications have been made to the Board for further increased rates in cases where it had previously allowed increases. The results of the operation under the rates allowed were disappointing because of the continued mounting of operating costs and the shrinkage in business. How long the emergency is likely to continue now that the armistice has been declared, and that peace is likely to ensue, no one can determine. How long the period will last before the prices of materials will

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become normal, and to what extent the wages of labor will be adjusted is problematic.

Presumably, many utilities operating under the increased rates heretofore allowed will not attain the result anticipated.

We desire to point out, therefore, that the policy of increasing fares and rates does not solve the existing difficulties. While utilities have centralized their efforts in solving their respective difficulties by increasing rates, studies of other methods might have been of greater advantage. Particularly is this true of the interurban and street railway companies. A study of traffic conditions might reveal the necessity of the rearrangement of zones, a modification of the service in each zone, and the encouragement, rather than the discouragement, of the profitable short-haul traffic.

There is a maximum to the price the public will pay for the service. In the present case the road has been in operation during the past twelve years, and has never earned its bond interest. The following testimony of the operating official indicates that the increase of the fare to 6c. did not solve its difficulties, and there is no certainty that the further increase of 7c. a zone is likely to greatly relieve the utility from its present financial embarrassment:

“Q. What effect do you anticipate an increase of the fare to 7c. a zone is going to have on the traffic?

“A. Well, that is a very difficult thing to figure on. We don't know what affects traffic. It is so hard to tell in these days of automobiles, where every farmer owns one that did not use to own one, and whether it is the fare or whether it is the automobile, I don't think any living man can tell.

“Q. Has your traffic suffered from the increase to 6c.?

“A. We don't know. We have had a falling off of passengers, but I cannot say that was the trouble. I think it was very largely due to the added great number of automobiles purchased along our road by every farmer. I think that had as much to do with it as everything else.

“Q. Do you think the farmer thought it more economical to buy an automobile than to pay your increased fare?

“A. No, I don't think he does, but the automobile craze is here and it is hard to stem the tide.

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“Q. So if you increase the fare to 7c. you will be simply burdening those who have no automobile and compel them to buy automobiles if they see fit?

“A. No, the fellow who owns an automobile, when the weather is disagreeable, or the weather don't just suit him, he will ride in the cars, and in nice weather he will ride in the automobile.

“Q. What hope have you by increasing the fare to 7c. to increase your revenue?

“A. I feel we will have to keep on increasing until we can get enough revenue to sustain the road or it better be sold out to the sheriff and junked.”

To maintain the service, however, on this line, we have no alternative but to grant the increase in fares applied for. The deficit for the seven months of the year 1917 ending July 31st, was \$5,000.87, and for the same period of the year 1918, \$7,577.62. At this rate there is bound to be a very substantial deficit for the current year.

We will therefore permit the schedule of rates presented, increasing the rate of fare from 6c. to 7c. in each fare zone, to go into effect.

Dated December 3d, 1918.

No. 641.

IN THE MATTER OF THE PETITION OF THE DELAWARE AND ATLANTIC TELEGRAPH AND TELEPHONE COMPANY AND THE NORTH JERSEY TELEPHONE COMPANY FOR THE APPROVAL OF A LEASE.

Application is made for approval of a lease by the Delaware and Atlantic Telegraph and Telephone Company of certain of its property to the North Jersey Telephone Company, the two companies operating in the same territory.
Held—

1. The appraised value of the properties leased is greater than their true value. The proposed rental to be paid would be excessive and would consequently reflect in the rates to be charged by the North Jersey Telephone Company.

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2. There is no objection to the general plan of the North Jersey Telephone Company to take over and operate a number of existing independent companies in this territory. Such a plan, when carried out, will result in more economic and efficient telephone service, but it is important that in taking over the properties, either by purchase or lease, the values of the properties taken, and the terms upon which the same are taken, shall not be such as will hereafter reflect in the rates to an extent that they will increase to an unreasonable degree.

Approval is withheld.

P. H. Burns, for the Delaware and Atlantic Telegraph and Telephone Company.

J. B. R. Smith, for the North Jersey Telephone Company.

L. Edward Herrmann, for Board of Public Utility Commissioners.

On September 14th, 1918, the Delaware and Atlantic Telegraph and Telephone Company and the North Jersey Telephone Company, both corporations of this State, filed a petition alleging the Delaware and Atlantic Telegraph and Telephone Company to be the owner of, and operating a telephone plant furnishing service to certain subscribers in the Counties of Warren, Hunterdon and Morris; that the North Jersey Telephone Company was authorized by law to engage in the business of furnishing telephone service throughout the State of New Jersey, and more particularly, to furnish such service in the Counties of Warren, Hunterdon and Morris; that for their mutual advantage, and for the purpose of avoiding duplication of telephone service, and for the more economic telephonic operation in the territory involved, an agreement was entered into on September 11th, 1918, whereby the Delaware and Atlantic Telegraph and Telephone Company leased to the North Jersey Telephone Company certain of its telephone exchanges and toll plants, and assigned all of its subscribers' contracts and certain other contracts in certain territories in said counties, under the terms and conditions more particularly and at length set forth in said agreement.

The petition requests the approval of said agreement.

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Hearings were held September 25th and October 2d, 1918. The agreement referred to was offered in evidence. It provides for the leasing, by the Delaware and Atlantic Telegraph and Telephone Company to the North Jersey Telephone Company all of its poles, crossarms, brackets, insulators, aerial wires and cables, including terminals and other appurtenances, conduits, manholes, underground cables, outside and inside fixtures and wiring on subscribers' premises, subscribers' station apparatus (excepting transmitters and receivers), central office and private branch exchange, switchboards and equipment, and all associated telephone apparatus and appliances of the lessor company in the territory designated, from which, however, it excepts certain pole lines and private branch exchanges therein referred to.

The rental provided for is \$2,175 a year during the first five years, and thereafter at the rate of \$2,610 a year, as well as all taxes thereafter levied and assessed upon said property; the lessee to maintain the property and pole lines, make all changes, modifications, additions or replacements to the property during the term of the lease, which is twenty-five years. The lessor company also assigns, by the lease, all contracts made by lessor with the subscribers in the territory, as well as certain other contracts specifically referred to. The lease contains provisions for the restoration and return of the property to the lessor with all additions and replacements made to it by the lessee under the conditions provided in the lease upon default of any of the terms and conditions thereof.

The value of the property, as of the date of the agreement or lease, is claimed to be \$43,500.

The lease contains these paragraphs as to value:

“If the value of said property upon the termination of this agreement under any of the provisions hereof, calculated at the unit value used to obtain its value at the date of leasing, is less than the value thereof on the date of this agreement, then lessee shall pay to lessor the difference in the value of said property on said dates.

“If the value of said property upon the termination of this agreement under any of the provisions hereof, calculated at a no lower unit value than that used to obtain its

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value at the date of leasing up to the amount of forty-three thousand five hundred dollars (\$43,500) is more than the value thereof on the date of this agreement, then lessor shall pay to lessee the difference in the value of said property on said dates.

“If the parties hereto shall be unable to agree upon the value of said property on the date of the termination of this agreement, the matter in dispute shall be referred to arbitration; one arbitrator to be chosen by lessor, one by lessee, and a third by the two so chosen. The decision of said arbitrators, or that of a majority of them, shall be final and conclusive. The expense of such arbitration shall be borne equally by the parties hereto.”

Mr. Smith, president of the North Jersey Telephone Company, opened the hearing as follows:

“Mr. Smith—This is an application for the ratification of a lease between the Delaware and Atlantic Telegraph and Telephone Company and the North Jersey Telephone Company for the property of the Washington Exchange in Warren County and with other lines running from the exchange to Flemington and to Hackettstown and a private branch exchange operating in High Bridge. It is a part, in fact it is the first part, central part and key of the whole program started a couple of years ago to consolidate the small companies operating in Hunterdon and Warren Counties. We worked on that program off and on ever since, until a year ago last November, or December—December it was, when we came before your Board, on behalf of the North Jersey Telephone Company, and got your consent to issue \$3,000 worth of organization stock. Up to that time it lay dormant.

“That was pressed quite vigorously until up to the beginning of the war; after which, for some reason or other, I don’t know why, we didn’t proceed at all. Later on the work was taken up.

“We have progressed as far as getting an inventory and appraisal of all of the companies operating in Hunterdon and Warren Counties, with the exception of two, and some other small companies, and agreements, tentative agreements were entered into with all except three. Some of them, however, one of them particularly, we found it necessary at the last minute to revise.

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so we won't be quite ready on behalf of those companies to present an application for lease or for purchase. But other companies will be coming in from time to time in the course of the next month to present petitions, five or six companies besides this one.

“Commissioner Slocum—Why wouldn't it be better to present all your petitions and that they be heard at one time?

“Mr. Smith—This is the key, the most important one, and we find it very desirable to have the action of this Board on this petition, we think, before we press the other; for several reasons, which we would be very glad to go into at length if you think desirable.

“Commissioner Slocum—There are several very good reasons why they should be considered at the same time. Here you are having an inventory and appraisal made of this property at higher unit costs and the result will be a higher charge to the telephone takers.

“Mr. Smith—No. I think you will find this is at a higher unit cost of appraisal than any of the properties we have taken over, but this is necessary for several reasons; it is the center of our operating units; it is the hub of our wheel, so to speak. The property being bought from a company in which the construction charges were higher, and the cost of construction higher than any other company we will be doing business with, or most any, there may be one other, we will have to pay the unit costs we have to pay in this case.

“Commissioner Slocum—Yes, but the D. and A. leases this property and the rentals you propose paying the D. and A. would involve a higher telephone charge to be collected. We ought not to be in any hurry to establish new companies to collect higher toll.

“Mr. Smith—Well, I think that is an assumption so far, that it would involve higher telephone charges. As far as we have shown it is true.

“Commissioner Slocum—It is true. The whole examination of your papers show that.

“Mr. Smith—Higher telephone charges are probably indicated in all cases. There will be, eventually, rate cases that will come

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before you for the entire unit when the thing is started. That is one thing we desire to get moving right away: We desire to get the operation of this first unit started and we can't get it started until this hub is created. It works all around this particular D. and A. property."

The engineer of appraisals of the Delaware and Atlantic Telegraph and Telephone Company testified that the appraisal, upon which the value was stated of the properties leased and specified in the agreement, was made under his supervision. He presented exhibits showing the unit costs which had been applied to the different elements of property. The engineer is also engineer for the Bell Telephone Company of Pennsylvania, and the Central District and Diamond State Telephone Company. Cross-examination as to the unit prices used by him in other appraisals, in the same territory, within the period 1912-1918, and a comparison of the unit prices used by him in other appraisals indicated clearly that the unit prices used generally, in the present appraisal, and particularly applied to the larger element of property were higher than those used by him in other cases.

It has not been possible to check up all of the prices listed, but an inspection of the same indicates that they are considerably in excess of the unit prices used in the 1912 appraisal of the property of the Delaware and Atlantic Telegraph and Telephone Company; and also, that they are very much in excess of the prices which must have been used by the same company in arriving at the value of various parcels of property, which it had heretofore sold or leased to various smaller companies operating in the same or adjacent territory in this State. Certain transfers of property to the New Jersey Telephone Company by the New York Telephone Company, and from the New Jersey Telephone Company to the New York Telephone Company, which were approved by us during the past year, were also at much lower figures than those given in the appraisal presented. The prices are considerably higher than any values that have been indicated in various proceedings involving independent companies operating in the general location of this territory.

It therefore appears that the appraised value of the properties leased is greater than their true value. The proposed rental to

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be paid on such a value would be excessive, and would consequently reflect in the rates to be charged by the North Jersey Telephone Company.

The Board has no objection to the general plan of the North Jersey Telephone Company to take over and operate a number of existing independent companies in this territory. Such a plan, when carried out, will result in more economic and efficient telephone service in the territory, but it is important that in taking over the properties, either by purchase or lease, the values of the properties taken, and the terms upon which the same are taken, shall not be such as will hereafter reflect in the rates to an extent that they will increase them to an unreasonable degree. For these reasons we withhold our approval of the lease.

Dated December 3d, 1918.

No. 642.

IN THE MATTER OF THE APPLICATION OF THE OCEAN COUNTY
GAS COMPANY FOR FURTHER INCREASED RATES.

The Board after hearing and investigation fixed for the petitioner to charge from June 1st, 1918, a price for gas of \$1.35 per thousand cubic feet, less a discount of 10 cents per thousand cubic feet for prompt payment, plus a monthly service charge of 25 cents per meter.

Application is now made for permission to charge \$1.80 per thousand cubic feet less a discount of five cents per thousand cubic feet for prompt payment and to abolish the service charge. *Held—*

1. Each customer connected with the gas mains of the petitioner entails a fixed cost annually for the interest, taxes, depreciation and maintenance of the individual service pipe and meter devoted to such customer.

2. If, for reasons of his own, the customer does not choose to use the service pipe and meter for the entire twelve months this does not relieve the company from the necessity of paying the fixed charges thereon. If they are not paid by the customer to whose sole use they are devoted, some other customer or customers must be charged with this cost or the company must fail to receive reimbursement for such expenditures.

3. Increased rates to meet increased costs of operation will be permitted to go into effect as emergency rates with the understanding that they are predicated on continuously safe, adequate and proper service.

Ocean County Gas Co.—Increased Rates.

J. A. Riggins, for the Ocean County Gas Company.

W. H. Jeffrey, for the Township of Dover and Boroughs of Beachwood and Island Heights.

In its petition, filed October 3d, 1918, the company alleges:

That it manufactures and distributes illuminating gas in the County of Ocean and serves the following municipalities: Townships of Berkeley, Dover, Eaglewood, Lacy, Little Egg Harbor, Ocean, Stafford and Union, and Boroughs of Beachwood and Island Heights.

That the price for gas is uniform in all the municipalities in which it is doing business and is as follows:

“\$1.35 per thousand cubic feet, less a discount of 10 cents per thousand cubic feet if paid on or before the tenth of the month; bills rendered monthly, plus monthly service charge of 25 cents per meter, which is in accordance with the Board’s report for rates in effect from June 1st, 1918.”

That the new rate now proposed by the company is \$1.80 per thousand cubic feet, less a discount of 5 cents per thousand cubic feet if paid on or before the tenth day of each month; bills rendered monthly.

The matter was heard on November 12th, 1918.

The Board will consider this application for further relief in connection with the original report hereinabove cited. It will, therefore, be necessary to consider only increases in the cost of operation which have taken place since the prior determination of this Board as set forth in its report of May 23d, 1918.

I. INCREASES IN OPERATING COSTS.

In its former report, the Board considered the costs of labor and material as shown by the record of the company, both in the testimony produced in the former hearings and also in the statistics in the annual reports of the company, duly verified. It will now be necessary to determine what increases have taken place in the intervening period. These will be set forth in a tabulated form in the following:

Ocean County Gas Co.—Increased Rates.

TABLE I.

INCREASED COSTS OF LABOR AND MATERIAL OVER THOSE SHOWN IN THE
REPORT OF THE BOARD DATED MAY 23D, 1918.

	Cost Per Ton-long.	Pounds Per M. cu. ft.	Cost Per M. cu. ft.	Increases Over Former Report of 5-23-18, in cents.
<i>Anthracite Coal.</i>				
As estimated 5-23-18.....	\$8.00	56	21.62c.	.....
As estimated 11-12-18.....	9.88†	60*	26.46c.	.....
Increases	\$1.88	4*	4.84c.	4.84
<i>Bituminous Coal.</i>				
As estimated 5-23-18.....	\$5.50	45.71	11.22c.	.....
As estimated 11-12-18.....	6.26	52.00*	14.53c.	.....
Increases	\$0.76	6.29*	3.31c.	3.31
<i>Gas Oil.</i>				
As estimated 5-23-18.....	7.00c.	3.87	27.09c.	.....
As estimated 11-12-18.....	8.67c.	4.18*	36.24c.	.....
Increases	1.67c.	0.31*	9.15c.	9.15

Increased costs of labor (summer and winter) estimated to average
\$2,400 per year (company's estimate was \$300 based on costs on
peak of production only). Increase per M. cu. ft. 10.00

Total increases which have occurred since prior determination in
Board's report of 5-23-18 27.30

23,273 M. cu. ft. (1917 sales) at 27.3c. indicates increased costs of (over
those shown in former report of 5-23-18) \$6.354

It will be noted in the above table that the total increases which
occurred since the prior determination of the Board aggregate
27.3 cents per thousand cubic feet of all gas sold. The company,
in its testimony, alleges that it has required approximately 73
pounds of bituminous coal, 73 pounds of anthracite coal and 5

*Increases owing to inferior quality of materials (estimated).

†Includes additional amount of \$1.05 wage increase allowed by the Fuel
Administration on November 1st, 1918.

Ocean County Gas Co.—Increased Rates.

gallons of oil to make each thousand cubic feet of gas sold during the past few months. The Board is of the opinion that these quantities are abnormal and indicate lack of economy in the operation of the plant and are largely in excess of the corresponding amounts heretofore required by this company for the production of gas. Table I allows a reasonable increase in the quantity of materials necessary owing to the well-known fact that companies have not been able to hold their contractors to the furnishing of as good quality of materials as could be secured during normal times.

Table II shows the revenue required by the company in the existing emergency. In order to arrive at the amount of revenue required by the company, it will only be necessary, as has been hereinabove set forth, to ascertain the additional revenue required by increases in the costs of labor and material. We have, therefore, assumed the analysis of the total revenue required which was shown in the Board's report of May 23d, 1918, in Table V, line (5). To this will be added the additional revenue of \$6,354, shown in Table I, herein allocated to the classes of service in the same proportion as the revenue heretofore determined. This will be set forth in detail in the following:

TABLE II.

ADDITIONAL REVENUE REQUIRED OVER AND ABOVE THE AMOUNT DETERMINED
IN THE BOARD'S REPORT DATED MAY 23D, 1918.
(On basis of no fixed service charge.)

Items.	Company Total.	Metered Customers.	Street Lamps.	Tuckerton Gas Co.
Total revenue required (see report 5-23-18, Table V.) (5)	\$32,731	\$23,947	\$3,130	\$5,654
Additional revenue (table above) apportioned on same basis as \$32,731 was apportioned in for- mer report	6,354	4,638	604	1,112
Total revenue required on basis of costs of Nov. 12, 1918	\$39,085	\$28,585	\$3,734	\$6,766
1917 gas sales, M. cu. ft.	23,273.4	16,116	1,882	5,275
Revenue per M. cu. ft. (no fixed charge)	\$1.68	\$1.77	\$1.98	\$1.28

Ocean County Gas Co.—Increased Rates.

Table II takes into account the further increase of \$1.05 in the cost of anthracite coal which had not taken place at the time the company's petition was filed, but was testified to during the hearing. This indicates that on the basis of *no fixed service charge* the rate of \$1.75 per thousand cubic feet for metered customers is not unreasonable during the present emergency.

III. FIXED SERVICE CHARGE.

(To cover the annual cost of the individual service pipe and meter devoted to the use of each customer.)

In view of the fact that the fixed service charge as set forth in the Board's former report was indicated to be charged monthly to the connected customers and did not, unless applied on an annual basis, result in a revenue of approximately \$4,200 a year, the company asked that the service charge be not included in its rate schedule.

The Board does not regard this proposition with favor. Each customer connected with the gas mains of the petitioner entails a fixed cost annually for the interest, taxes, depreciation and maintenance of the individual service pipe and meter devoted to such customer. If, for reasons of his own, the customer does not choose to use this service pipe and meter for the entire twelve months, this does not relieve the company from the necessity of paying the fixed charges thereon. If they are not paid by the customer, to whose sole use they are devoted, some other customer or customers must be charged with this cost or the company must fail to receive reimbursement for such expenditures. Failure to recognize this fact tends to introduce an element of discrimination in rates unless each and every customer uses his service pipe and meter for approximately the same number of months in the year. This is not the case with the customers of the petitioner, as may be seen in Table III following, which is based on an accurate account of the customers connected with the mains of the petitioner and those who have actually used gas for the number of months stated during the year.

Ocean County Gas Co.—Increased Rates.

TABLE III

STATISTICS OF METERS READ YEAR ENDING SEPTEMBER 30TH, 1918.

	Connected.	In Use.	Ratio of Meters in Use—Per Cent.	Equivalent to Service in Months.
Mayetta	96	93	96.9	11.63
Toms River	3,411	3,000	90.6	10.87
Barnegat	2,104	1,756	83.4	10.00
Bayville	327	272	83.1	9.97
Cedar Run	263	211	80.2	9.84
West Creek	936	749	80.0	9.60
Manahawkin	780	610	78.2	9.38
Forked River	886	667	75.3	9.04
Porkertown	276	207	75.0	9.00
<hr/>				
Customers using meters 9 months or more	9,079	7,655	84.3	10.12
Staffordsville	156	106	68.0	8.16
Berkeley	295	198	67.1	8.05
Waretown	409	271	66.3	7.96
Lanoka	120	62	51.6	6.19
Island Heights	3,476	1,582	45.5	5.46
Pine Beach	721	260	36.1	4.33
Ocean Gate	872	288	33.0	3.96
Beachwood	1,130	351	31.1	3.73
Money Island	753	228	30.3	3.64
<hr/>				
Other customers	7,932	3,346	42.2	5.06
<hr/>				
All customers	17,011	11,001	64.7	7.78

This indicates that the first nine municipalities shown in the table have used their service pipes and meters for an average of something over ten months in the year, whereas, the last nine municipalities named have used their service pipes and meters for just one-half the length of time that the first nine municipalities have. If the cost of the service pipes and meters of the latter nine municipalities is not paid by the customers affected, it is apparent that these customers will benefit at the expense of the more permanent residents of the other communities served.

In the matter of the complaint of "*Citizens of Northfield City vs. Pleasantville Water Company*," as shown in Volume I of the Reports of the Board of Public Utility Commissioners of the

Ocean County Gas Co.—Increased Rates.

State of New Jersey, page 585, the Board laid down the following principle affecting seasonal resorts:

“A large part of the plant and equipment at summer resorts is maintained throughout the year with comparatively little demand for service, in order that service may be furnished those who reside at the resorts during a part of the year only. In fixing a charge for service it is not unreasonable, under the circumstances, for consideration to be given to the expense of maintenance during the year, although service may be afforded to a majority of the patrons of the company for part of the year only. It is not regarded as unreasonable that payment for the entire time during which service is afforded in any one year under these conditions should be exacted in advance.”

As Table III shows very clearly that substantially one-half of the customers of the petitioner are seasonal in their use of gas, these principles may well be held to apply to the instant case. The Board will, therefore, require a fixed service charge for the use of the service pipe and meter to be paid annually by all customers of the petitioner (which may be paid monthly by all-year customers).

Assuming that the total revenue which is to be derived from the sale of 16,116,000 cubic feet of metered gas (1917 consumption) is \$28,585, as shown in Table II herein, the amount which is to be derived from an annual charge of \$3 will first be deducted from \$28,585, and the remaining amount apportioned to the proportional use of gas per thousand cubic feet. This will be shown in more detail in the following:

TABLE IV.

ADDITIONAL REVENUE REQUIRED ON BASIS OF A FIXED SERVICE CHARGE.
On Basis of \$3 Per Year Per Connected Customer.

Revenue to be derived from metered customers, Table II.	\$28,585
17,011 monthly or 1,417 annual charges at \$3 (1)	4,251
Remaining for proportional charge	\$24,334
1917 gas sales in M. cu. ft	16,116
Rate per M. cu. ft. with service charge	\$1.51

(1) Experience for year ending September 30th, 1918.

Ocean County Gas Co.—Increased Rates.

The representative of the municipalities complained bitterly of the inadequacy of the service furnished by the petitioner during the past summer season. The company's officials admitted that its service had been interrupted entirely for a number of days and that the pressures were not sufficient to satisfy the reasonable requirements of its customers, even when the plant was operating. The company claims that the unsatisfactory service was due to man failure. The inspectors of the Board, however, so early as May 20th, 1913, called attention to the fact that there was no *relief* holder at this plant, and that "as the capacity of the storage holder is only 20,000 cubic feet it can readily be seen that if * * * an accident occurred during the peak load in the summer, the capacity of the storage holder would be exhausted in a very short time." Attention was again called to this inadequacy of equipment on January 9th, 1915, and on August 5th, 1916, but the company has done nothing to add to its plant equipment so as to enable it to give good service to its customers, notwithstanding the fact that its send-out has increased about 50% since 1913. The report of the Board's inspector, dated September 10th, 1918, recommends that a storage holder, a larger generating unit, and a larger steam boiler be installed, in order that the company might properly meet the demands made upon it. This work should be done before the summer season of 1919, as the peak load occurs at that time of the year.

The rates now allowed are calculated to produce the increase in revenue petitioned for. They will be allowed to go into effect as emergency rates, with the distinct understanding that they are predicated on *continuously*, safe, adequate and proper service as contemplated in the statute. If the company does not take steps to install such additions as will make its plant adequate to meet the reasonable demands for service required by its customers, the Board will cancel the emergency rates herein and previously allowed, for the reason that adequate service should be a corollary to adequate rates.

The Board therefore finds and concludes:

1. That the petition, as filed, is hereby dismissed.
2. That, with respect to metered customers, the petitioner will require to raise additional annual revenue of approximately

Ocean County Gas Co.—Increased Rates.

\$4,638, in addition to the allowances heretofore made by the Board in its report of May 23d, 1918.

3. That the following schedule of rates will provide for the further increases of rates required, viz.:

(a) All metered domestic customers may be charged a fixed annual charge of \$3 a year without gas; annual customers may pay this at the rate of 25 cents a month.

(b) The rate for gas consumed may be \$1.55 gross per thousand cubic feet, less five cents a thousand cubic feet for payment in ten days after rendering the bill (instead of the rate now effective by reason of the Board's report of May 23d, 1918).

4. These rates may be effective for sales made on and after the filing of same by the petitioner, subject to the following conditions:

5. Acceptance by the company of the increases herein allowed will be taken as a stipulation that abrogation or modification of the war surcharge may be made as and if conditions as indicated by operating results, both as to revenue and the character of service rendered warrant.

6. Beginning at the effective date of said schedule of rates, the company is to render reports monthly to the Board showing the Operating Revenues, Operating Deductions excluding General Amortization, Non-Operating Income, Income Deductions and balance available for Amortization, Dividends and Surplus and amount appropriated for General Amortization for each succeeding calendar month, with comparison with the figures for the corresponding month of the preceding year; and the Board will retain jurisdiction of the emergency or war surcharge as herein approved, for the purpose of modifying or abrogating the same as and if the conditions change.

Dated December 3d, 1918. •

N. J. and Penn. Traction Co.—Increased Fares and Freight Rates.

No. 643.

**IN THE MATTER OF THE PROPOSED INCREASE OF PASSENGER
FARES AND FREIGHT RATES BY THE NEW JERSEY AND PENN-
SYLVANIA TRACTION COMPANY.**

An electric railway is permitted to increase its rates from six cents to seven cents in each of its fare zones, it appearing that the company must have increased revenues if it is to maintain proper and adequate service.

Frank S. Katzenbach, Jr., for the petitioner.

Harvey T. Satterthwaite, for Lawrence Township.

Charles E. Bird, for City of Trenton.

L. Edward Herrmann, for the Board.

The New Jersey and Pennsylvania Traction Company filed with the Board September 3d, 1918, a new schedule of rates to become effective September 27th, 1918.

On September 10th, 1918, the Board suspended the increase in the existing fares until December 10th, 1918, unless prior to the said date it should determine the said increases to be just and reasonable, and approve the same.

Hearings were held at Trenton, November 4th and 13th.

The new schedule indicates a rate of "seven cents in either direction for each fare zone or fraction thereof." This is an increase of one cent in each fare zone or fraction thereof over the present rate of fare of six cents in each zone.

A three-cent fare is charged for a ride confined to that portion of the line within the City of Trenton. This is not an independent zone, but forms a part of the first zone out from Trenton. The traffic is very light, the receipts averaging from two to three dollars per day. The length of this section is 1.01 miles. It is not proposed to change this rate.

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The notice of the proposed change of rate is accompanied by a statement explaining the reasons for the increase and containing certain financial and statistical information.

Paragraph 9, being the last paragraph of the statement, reads as follows:

“The company asks that if the Board finds that the representations of the company are true, that they incorporate in the Board’s finding, a request to the patrons of the road that the increase in fares be regarded by them as a war emergency measure that the company has been forced to adopt in order to continue its car service to the public.”

HISTORY OF PRIOR FARE INCREASES.

When the line of railway between Trenton and Princeton was completed in the year 1903, the rate of fare was 10c. for the 12.56 miles, 8.01 mills per mile. This yielded a return on investment of 1.26%. By order of this Board, dated January 13th, 1913, which went into effect February 5th, 1913, the fare between Trenton and Princeton was made 15c., and the zones between Trenton and Princeton were three in number, in each of which the fare was 5c. This order of the Board, however, required that 12 tickets in a block for \$1 should be sold, each of which should be good for passage between Lawrenceville and either Trenton or Princeton in either direction. The reason for this provision was that Lawrenceville was in the middle of the second zone, just half way between Trenton and Princeton, and a passenger, had not this provision been made, from Lawrenceville for either Trenton or Princeton, would have been obliged to pay 10c. This increase from 10 to 15c. yielded for the eleven months of the year 1913 an increase of \$14,088.

The company petitioned for four fare zones between Trenton and Princeton, in each of which a charge of 5c. should be made. By a report of the Board, dated October 10th, 1916, this increase was granted, and went into effect on October 19th, 1916, the sale of block tickets at the rate of 12 tickets for \$1 being continued. This resulted in there being no increase in fare to those

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riding to or from Lawrenceville from either Trenton or Princeton. The additional fare zone brought little added revenue. The company then petitioned in the early part of the present year for a 6c. fare in each of said fare zones. This was made necessary by the increased cost of fuel, of materials required for maintenance, and increased wages. The 6c. fare went into effect on May 26th, 1918.

The present proposed increase in fares is based solely on the increase in wages necessitated by an order of the War Labor Board and designed to furnish only such revenue as it is estimated will be necessary to meet this increased cost of operation.

The addition to the payroll made by the said award will amount approximately to \$18,000 annually. One of the exhibits shows that the net income, after deducting taxes for June, 1918, was \$2,469.74, and for June, 1917, \$1,352.62, or an increase of \$1,117.12. If this increase is sustained throughout the entire year at the same percentage, it will about equal the increase in wages.

It is for the interest of the public that street and interurban railway service shall be maintained. The employees of the company cannot be forced to continue to operate cars against their will, and the company either had to pay the wages awarded by the National War Labor Board or cease operating, or at least curtail the service in a very marked degree.

The problem is a very serious one. We repeat here for the company's benefit what was set forth in the Board's report of the application of Northampton, Easton and Washington Traction Company to increase rates of fares, bearing date December 3d, 1918.

"The revenue received from operation under the 6c. fare has not been sufficient to meet the operating expenses and fixed charges. While there has been some increases in the operating expenses, as was anticipated, there has been a decided reduction in the number of passengers carried. Traction officials concede that every increase in rates diminishes traffic. They differ, however, as to the percentage in loss of the number of passengers, and it is doubtful if any average percentage could be ascertained.

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as so many elements enter into the calculation. The operating results of increased rates have proved so unsatisfactory to many of the utilities, that it becomes pertinent to discuss the policy of meeting the emergency, which still exists; whether it should be met by increasing rates, or whether some other method should not be studied and presented and at least tried.

“It is a singular commentary, that almost without exception, applications by utilities for increased rates in the present abnormal times have been opposed strenuously by the public affected. It needs no demonstration to show the extent to which the prices of every article and commodity necessary and used in living have increased. The enormous demands of the war have taxed the great resources of the country; every activity was concentrated in the interest and furtherance of its successful prosecution. The extent to which the supply of labor and materials was diminished and the rates to which the prices and wages mounted was a natural sequence. Utilities were affected as were individuals. The prices of almost, if not all, materials used in manufacturing and distributing their respective products, or in furnishing their respective services increased. Utilities, moreover, were peculiarly affected by the crisis. The Federal Government, recognizing the need of the operation of the utilities in its great war preparations, at their maximum efficiency, they furnishing the products and service most necessary to the many industries engaged in war work, as well as the necessary facilities to the government agencies and cantonments which sprung up everywhere, undertook a partial supervision thereof. It ordered, where necessary or required for war work, increased facilities. To avoid conflict between the utility and its employes, because of disagreement as to wages, etc., of employers, the National War Labor Board was created to arbitrate the matters brought before it, and make orders to carry out the result of its determination from the facts presented to it. Shortly after its creation it had presented to it, the matter of fixing the

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wages of the platform employes of large and important street railway companies. It fixed a scale of wages in excess of the wages then being paid by the companies, and in most cases made its orders retroactive, ordering the scale effective at a date prior to the date of the order. While applications were not made to it by the platform employes of every street railway, the railway companies generally appreciated the necessity of avoiding controversies with employes, and advanced the wages to meet the scale ordered to be paid by the War Labor Board in the cases determined by it. The increases granted to the platform men resulted in an increase to most, if not all, of the other employes of the companies. Any increase granted to a portion, or class, of employes usually results in an increase to the others. The aggregate increase in the wages of the employes thus becomes a very substantial increase in the operating expenses.

“In making these awards, the National War Labor Board, after explaining the necessity for the award of the increase as being the insurance for the functioning of the utility at its maximum efficiency as necessary to the successful conduct of the war, commented that the increase in wages would greatly increase the operating expenses, and urged the local authorities, should an increased rate of fare be necessary, to aid the railway companies to meet its operating expenses, to grant the required increase in rates.

“Affected as they are with a public interest, it was necessary to demonstrate to the public the necessity for any increase in its rates before any such increase was permitted to become effective. Most of the utilities in this State thus affected have made application to the Board for increased rates. They were opposed in most cases by representatives of municipalities in which they sold their product or furnished service, as well as inhabitants thereof, and civic bodies. This opposition is not peculiar to this State, but has been manifested in every other State. Every increase in rate permitted has been unpopularity received

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by a part of the public and has been the subject-matter of bitter and hostile denunciation.

“To what extent this feeling of the public is involved in the reduction in traffic which always results from an increase in rates no one can fairly estimate. It is established, however, that increasing the unit of fare invariably results in reduced traffic. Necessity is one of the chief factors in determining the volume of traffic, so that it is fair to assume that the traffic lost is the short-haul traffic.

“It has also been demonstrated that the percentage of decrease in traffic is affected considerably by the amount of the increase. Each additional increase in rates makes the percentage decrease in passengers larger.

“The applications for increased rates to this Board were allowed, to the extent that service could be maintained, where the facts presented justified such determination. In most, if not all, cases the relief granted was temporary to meet the existing emergency, and allowed to continue so long as the abnormal conditions prevail. Numerous applications have been made to the Board for further increased rates in cases where it had previously allowed increases. The results of the operation under the rates allowed were disappointing because of the continued mounting of operating costs and the shrinkage in business. How long the emergency is likely to continue now that the armistice has been declared, and that peace is likely to ensue, no one can determine. How long the period will last before the prices of materials will become normal and to what extent the wages of labor will be adjusted, is problematic.

“Presumably, many utilities operating under the increased rates heretofore allowed will not attain the result anticipated.

“We desire to point out, therefore, that the policy of increasing fares and rates does not solve the existing difficulties. While utilities have centralized their efforts in solving their respective difficulties by increasing rates, studies of other methods might have been of greater ad-

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vantage. Particularly is this true of the interurban and street railway companies. A study of traffic conditions might reveal the necessity of the rearrangement of zones, a modification of the service in each zone, and the encouragement, rather than the discouragement, of the profitable short-haul traffic."

Attention is directed to the fact that the line under consideration is operating in competition with the Trenton and Mercer County Traction Corporation, which company operates a line between Trenton and Princeton also, the termini of the two lines being but two blocks apart in Trenton and but a few blocks apart in Princeton. Both lines are practically the same length, that of the New Jersey and Pennsylvania Traction Company being 12.56 miles and of the competing company 12.38 miles. These two lines are about three-fourths of a mile apart on the average between Trenton and Lawrenceville. In the latter locality they are approximately 400 feet apart through the center of the town. Between Lawrenceville and Trenton the lines are well separated. The running time between Trenton and Princeton on the New Jersey and Pennsylvania Traction Company is thirty-five minutes, or an average speed of approximately twenty miles per hour. The running time on the Trenton and Mercer County Traction Corporation's line is fifty-five minutes, or an average speed of approximately 12.4 miles per hour. A forty-five-minute service is maintained between Princeton and Trenton on the New Jersey and Pennsylvania Traction Company's line, except on Saturday afternoon and evening, when a half-hourly schedule is operated. On the competing line an hour schedule is maintained over the entire route. During rush hours on weekdays and on Saturday nights a half-hourly schedule is maintained between Trenton and Cranston's Switch, which is located a short distance beyond Lawrenceville from Trenton. The fare on the New Jersey and Pennsylvania Traction Company's line between Trenton and Princeton, under the new rates, will be 28 cents, without transfer privileges in Trenton. The fare on the competing line is 18 cents, with free transfer privileges to any part of the system within the first or city zone. The physical condition of the former line is generally better than that of the latter.

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There is no doubt but that further increase in the fare on the New Jersey and Pennsylvania Traction Company's line will tend to divert some of its present traffic, not only through, but intermediate as well, to the competing line.

The Pennsylvania Railroad also operates a service between Princeton and Trenton. The distance is 13.5 miles, and the time varies considerably on different trains, the average time being thirty-five minutes. The rate is 42 cents each way and monthly commutation tickets, valid for sixty rides (thirty round trips) are sold for \$7.26, or about 12 cents per trip one way. This trip necessitates a change of trains and the service is not believed to be a serious competitor of the trolley lines. It is unfortunate, however, that there should be two competing trolley lines between Princeton and Trenton passing through practically the same territory, much of the way.

The financial history of the company has been commented upon in previous reports of this Board and need not be here repeated.

The proofs show that the company must have increased revenues if it is to maintain proper and adequate service. We doubt if the increase in fare from 6c. to 7c. in each zone is the best solution of the company's financial troubles, but will permit a trial of it.

We will allow the filing of the local and proportionate freight tariff, naming commodity rates. The same to become effective at once.

For reasons stated the Board will also permit the company to file a tariff providing for a rate of fare of 7c. in each fare zone where 6c. is now charged on the following conditions:

(a) Acceptance by the company of the increases herein allowed will be taken as a stipulation that abrogation or modification of the rates permitted to be filed may be made as and if conditions as indicated by operating results warrant.

(b) The company shall promptly file with the Board for each calendar month beginning with the month of December, 1918, during which the rates permitted to be filed are charged, a complete comparative income statement for each corresponding month prior thereto of its operations, showing revenue and revenue deductions, classified in accordance with the uniform system of ac-

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counts for street or traction railway utilities (first issue) prescribed by this Board, together with mileage, traffic and miscellaneous statistics, as required on page 35 of the form of annual report now required to be filed by the Board.

(c) The Board will retain jurisdiction of the rates permitted to be filed as herein approved, for the purpose of modifying or abrogating same as and if the conditions warrant.

Dated December 5th, 1918.

No. 644.

IN RE INCREASE OF RATES OF JERSEY CENTRAL TRACTION COMPANY.

1. An electric railway is allowed to increase its fare from six cents to seven cents in each of its fare zones the Board being satisfied that additional revenue is needed to enable the company to furnish safe, adequate and proper service.
2. A proposed increase from six cents to eight cents with a charge of two cents each for transfers is disapproved.

C. L. S. Tingley, for Jersey Central Traction Company.

George J. Craigen and *John Weseman*, for Mayor, Borough Council and Citizens' Committee of Keyport.

By its report, dated August 29th, 1918, this Board permitted the filing by the Jersey Central Traction Company of an amended schedule of rates providing for a war surcharge of one cent to be added to the five-cent fare then charged, and to the continuing of transfers subject to conditions therein contained. This report was made in proceedings wherein the said traction company filed a petition for an increase in rates from five cents to seven cents in each zone, with an additional two cents for every initial transfer. The petition was dismissed. Permission, however, was given to file an amended schedule as above. The company accepted the

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permission and filed an amended schedule, which became effective September 6th, 1918. While the proceedings were pending on the first petition of the company, the present application was made for an increase in rates. In this it is proposed to increase the fares from five cents per zone to eight cents per zone, with two cents additional for each initial transfer.

On September 10th, 1918, the Board issued an order suspending the proposed increase. Hearing was held on November 18th. As the application was made prior to the Board's determination of the first petition filed by the traction company, the production of proofs in support thereof included much of the testimony offered by the company on the original application. An analysis of all these proofs in the present application is unnecessary, and probably would result in confusion because of the difference between the periods upon which the calculations were based; also because, in the calculations in the present proceeding, part of the period considered was under the operation of the five-cent per zone rate and part the increased or six-cent per zone rate.

The pertinent facts to be considered in the present application in the result of operation under the six-cent fare are as follows:

In its report on the previous application of this company for fare increase the Board said:

TABLE I.

OPERATING REVENUE ESTIMATED TO BE PRODUCED BY A SIX-CENT RATE OF FARE WHERE FIVE CENTS IS NOW CHARGED. NO CHARGE FOR TRANSFERS.

The operating revenue for 1917 was	\$254,045
For 1918 revenue on 5-cent fare add 12 per cent. of \$237,366 passenger revenue for 1917 or (see 1)	28,483
Indicated revenue for 1918 (on 5-cent fare)	\$282,528
Add 15 per cent. increase estimated to be produced by a 6-cent fare instead of a 5-cent fare	42,378
1918 Railway operating revenues on basis of 6-cent fares	\$324,906

(1) Note. In P-6, the petitioner estimates the revenues for the first half of 1918 by adding 12 per cent. of the passenger revenue to total operating revenue for first six months of 1917. Referring to this, Mr. Tingley (testimony, p. 8) said: "I have taken the normal growth of the property of about 12 per cent., taken the number of passengers carried and added that to the income for six months."

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In this connection it is interesting to note the actual results of the operation of the *six-cent* rate.

New rate of fare was effective September 6th, 1918.

August, 1917—Passenger fares	656,779	
September, 1917—Passenger fares	482,560	
	174,219	26.5 per cent. decrease.
August, 1918—Passenger fares	659,432	
Deduct 26.5 per cent. or percentage of decrease in 1917 due to seasonal changes, etc.	174,749	
Comparable passenger fares August, 1918	484,683	
September, 1918—Passenger fares... ..	534,236	
	49,553	Increase 10.2 per cent.
August, 1917—Passenger revenue	\$32,828.79	
September, 1917—Passenger revenue	23,728.84	
	\$9,099.95	Decrease 27.7 per cent.
August, 1918—Passenger revenue	\$32,922.05	
Deduct 27.7 per cent. or percentage of decrease in 1917 due to seasonal changes, etc.	9,119.41	
Comparable passenger revenue, August, 1918	\$23,802.64	
Comparable passenger revenue, September, 1918...	28,915.72	
September, 1918—Passenger revenue	\$5,113.08	Increase 25 per cent.

It will be noted that for the month of September there was a decrease in traffic and an increase in passenger revenue, after making due allowances as indicated in the above table. If this figure be taken as a fair average for each month there would be an increase in revenue for the year of \$73,356.96. The Board's estimate of additional revenue incident to the increase in fare, as mentioned in its report of August 29th, 1918, is \$42,378, which, probably, is more nearly correct.

Some more recent data has been secured relative to the passengers carried and revenue received per week since the increase in fare became effective.

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	—Passengers.—			—Revenue.—		
	1917.	1918.	Increase.	1917.	1918.	Increase.
8 days ending September 15th ...	109,216	135,239	25%	\$5,460.80	\$8,114.34	49%
6 days ending September 21st ...	70,940	86,001	21%	3,547.00	5,160.06	45%
Week ending September 28th ...	82,535	103,923	26%	4,306.43	6,382.08	48%
Week ending October 5th	78,772	82,041	4%	4,097.41	5,045.24	23%
Week ending October 12th	79,281	89,909	12%	4,111.39	4,212.00	24%
Week ending October 19th	77,350	79,903	3%	4,046.08	4,794.70	17%

Saturday, October 5th, explosion at Morgan Shell Plant. No service between Morgan Creek and the Amboys.

From this data it will be observed that a marked increase in both traffic and revenue immediately followed the increase in fare. This is very unusual and contrary to the history of most cases in which the rates of fare have been increased. It probably is due to the very large shell-loading plant at Morgan, and to the fact that during the period indicated the number of employes at this plant materially increased. It is apparent that the increase is not stable. The sudden decrease in traffic after October 5th was due in a large measure to an explosion at this shell-loading plant, immediately following which the number of employes very materially decreased. It is doubtful whether this plant will resume operations on the same scale as heretofore, now that the armistice has been declared. The Board has not sufficient facts before it to determine precisely what can be anticipated as the result of future traffic. Some question might arise as to whether an increase in fare from the present rate would be necessary, from an analysis of the result of operation under the present fare which has been in effect only since September 6th. It would be fair to assume that the increase in revenue due to the establishment of the six-cent fare will be \$73,356.96. The Board's estimate of additional revenue incident to the increase in fare, as indicated in its report of August 29th, was \$42,378. This additional revenue, would be sufficient, but for the fact that the operating expenses are in

Jersey Central Traction Co.—Increased Rates.

excess of the estimate made by the company on its first application, particularly as to the amount of wages to be paid its employes, especially platform men. Because of the action of the National War Labor Board in allowing a scale of wages to the platform employes of other traction companies the petitioner was obliged to raise the wages of its platform men on August 14th, 1918, to a sum above that included in its estimates. Our calculations from the proofs lead us to the conclusion that even should the extraordinary increases in revenue from the six-cent fare continue the difference between the amount the Board estimated the company would realize, and what the actual operating results show, conditions remaining the same, does not compensate the company sufficiently to meet the increase in operating expenses due largely to the increased wages of the platform men.

The service furnished by the company has been the subject of much complaint during the year. In the former report granting the increase in fares to six cents, the Board called attention to the unsatisfactory character of the service. The Board said "under such conditions of operation it cannot be maintained that the value of the service to the rider is equal to that when safe, adequate and proper service is afforded."

During the latter part of the summer and early fall this situation continued and numerous interruptions in service occurred during October. Inspectors of the Board reported that the power station equipment was of insufficient capacity and was not maintained in such condition that it could be relied upon to meet demands for power to reasonably handle the connected load. This condition has not only resulted in frequent long and vexatious delay, but it has prevented the company from operating, often for long periods, a sufficient number of cars to properly handle the ordinary daily travel. The establishment of the shell-loading plant at Morgan, directly on the company's lines extending from Keyport to Perth Amboy, has created a tremendous increase in traffic over the line, particularly during the rush hours, for which traffic the company has not made adequate provision. The effect upon traffic under the increased rates heretofore allowed by the Board is, as stated, unusual.

Jersey Central Traction Co.—Increased Rates.

Mr. Tingley, a witness produced by the petitioner, testified as follows:

“Q. Every increase made by this Board has resulted from returns shown by their monthly statements in decreasing the traveling public on the cars.

“A. It has not in this case, sir; this case has shown—of course, as I say, there was a war industry there; it was practically compulsory traffic, and the increases have been very handsome, very handsome.”

How long the increases are to continue is problematical, because of the uncertainty of the resumption of operation by the shell-loading plant at Morgan to its full capacity. Should it resume operation to such capacity, the time required to rebuild the plant destroyed by the explosion and the number of employes it will be necessary to employ, are pertinent facts.

However, even should the increased traffic continue as is shown above, the difference in revenue would hardly be sufficient to pay the increased wages of the employes.

Being satisfied that the company is in need of additional revenue to furnish and maintain safe, adequate and proper service to the public, we will permit an increase in the rate of fare in each zone to seven cents where six cents is now charged, under the same conditions as expressed in our report of August 29th, 1918. This award is made not upon the calculations presented to us in the exhibits offered, because we cannot calculate from them, with any reasonable accuracy, to what extent the needs of the company will be met, but from a close scrutiny of the operating results shown in the monthly statements filed with this Board. As expressed in a recent report of the Board, we believe the maximum fare that the traffic will sustain to be what we allow. It is admitted by the operating officials of the company that the service furnished by it is not of the best. It is claimed that this has been due to conditions caused by the war; that since the armistice was signed conditions have bettered and that the service will soon be materially improved. Much of the hostility of the public to awards of increases in rates to utilities, particularly traction companies, has been because the service furnished has been unsatisfactory. It is the duty of the company, and the Board will expect

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and require it to make every effort in its power to remedy the defects which have caused the complaints referred to.

The Board finds and determines that the Jersey Central Traction Company has not shown that the increase proposed of fare to eight cents, with a charge of two cents for each transfer, is just and reasonable, and the same is disapproved.

The former finding of the Board may be modified so as to permit the Jersey Central Traction Company to charge seven cents in each zone where a charge of six cents is now permitted, the same terms and conditions to apply as are incorporated in the report of August 29th, 1918, permitting the increase in rates to six cents a zone where five cents had previously been charged.

Dated December 5th, 1918.

No. 645.

IN THE MATTER OF INVESTIGATION BY THE BOARD OF PUBLIC UTILITY COMMISSIONERS OF THE STATE OF NEW JERSEY, ON ITS OWN MOTION, OF THE QUESTION WHETHER THE NEW JERSEY GAS COMPANY FURNISHES SAFE, ADEQUATE AND PROPER SERVICE, AND KEEPS AND MAINTAINS ITS PROPERTY AND EQUIPMENT IN SUCH CONDITION AS WILL ENABLE IT TO DO SO.

1. Failure of a public utility to keep in stock ample reserve supplies of materials essential for operation can only be tolerated when it clearly appears that the conditions are such as to make it impracticable to obtain such materials.

2. If there are such conditions, and the company is to continue its corporate existence and management, it is important that this Board should be kept continuously informed as to the supplies ordered and in transit, so that if at any time there appears to be a chance of interruption of service because of delayed deliveries extra effort may be made to prevent or shorten delays.

3. A gas company is required to keep on hand at all times six cars of soft coal, ten cars of hard coal and 80,000 gallons of oil and to report weekly the quantities of these materials on hand and the quantities ordered and not delivered.

New Jersey Gas Co.—Adequate and Proper Service.

Norman Grey and Theodore J. Grayson, for the company.

Oscar B. Redrow, for the Township of Mantua and Boroughs of Wenonah and Woodbury Heights.

Alex. Beith, pro se.

Upon receipt by the Board of a large number of informal complaints to the effect that the New Jersey Gas Company was not supplying service continuously to its customers, the matter was taken up informally. The company admitted that it had at times and for periods of various duration been compelled to shut down its plant because of lack of oil and coal used in the manufacture of gas. This was ascribed to embargoes placed by the railroad administration on shipments of coal and oil to the territory within which the company's plant is located.

The Board, in a letter to the vice president of the company, written on the 22d of October, 1918, expressed the opinion that "in view of the large number of people affected by a shut-down of the plant of the New Jersey Gas Company this matter should be the subject of a public hearing. Such hearing will disclose all the facts, and if it appears that the embargoes referred to are still in effect and will prevent continued operation by the company, it may be that the record submitted to the Federal Director of Railroads will result in relief being afforded."

A hearing was held on October 29th, 1918, at which representatives of the company and of several of the municipalities served by it appeared. The proceeding up to this time had been informal, but following the statements made by representatives of the company, it seemed to the Board that the matter should be treated formally. The Board, therefore, called formally upon its own initiative a hearing for the purpose of investigating whether the New Jersey Gas Company furnishes safe, adequate and proper service, and keeps and maintains its property and equipment in such condition as will enable it to do so. The Board fixed Monday, November 4th, 1918, at 11 A. M. as the time, and the State House, in the City of Trenton, as the place of the hearing, notices of which were given to the attorney and to the vice-president of

New Jersey Gas Co.—Adequate and Proper Service.

the gas company and to numerous parties who had complained to the Board of discontinuance of service.

At the time and place fixed for the hearing the company was represented by its vice-president, Norman Grey, and its attorney, Theodore J. Grayson. The Township of Mantua and the Boroughs of Wenonah and Woodbury Heights were represented by Oscar B. Redrow, and Alex. Beith, a consumer residing at Woodbury Heights, appeared in person.

Mr. Grey agreed and so stated that the testimony given by him and Mr. Hoy, general manager of the company, at the hearing on October 29th, should be part of the record in the formal proceeding.

From the testimony it appears there were interruptions to the service of the New Jersey Gas Company at different times, and that the company claims the shut-downs were due to delayed deliveries of coal or oil. While it appeared that for a time there were embargoes on shipments of coal and oil, such embargoes were not in effect at the time of the hearing. It appeared furthermore that the company was not keeping any reasonable reserve supply of these materials on hand, but was dependent for operation upon deliveries of comparatively small quantities, frequently ordered. The explanation of this given by the company was that its financial condition has been such that it had no credit, and that without available funds it could not pay cash for materials to an extent which would enable it to keep reserve supplies on hand. The Board has granted the New Jersey Gas Company two increases in its rates. The last increase was allowed on September 10th, 1918, upon which date the Board stated that it would permit the company to make a service charge to each customer served through a three or five-light meter of 25c. per month, and in addition a charge of \$1.65 net per thousand cubic feet. The company is not before the Board asking for a higher rate, and the statement was made by the vice-president of the company that the application of the rate fixed in September will enable the company to discharge past indebtedness and obtain a financial standing.

Failure of a public utility to keep in stock ample reserve supplies of materials essential for operation can only be tolerated when it clearly appears that the conditions are such as to make it

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impracticable for the company to obtain such supplies. If there are such conditions, and the company is to continue its corporate existence and management, it is important that this Board should be kept continuously informed as to the supplies ordered and in transit, so that if, at any time, there appears to be a chance of interruption of service because of delayed deliveries, extra effort may be made to prevent or shorten such delays.

The New Jersey Gas Company supplies many people who reside or are engaged in business in a number of different municipalities. Discontinuance of service by such a company results in great public inconvenience, and, in the case of industrial establishments, financial loss.

If the New Jersey Gas Company cannot, at its present high rate for gas, supply continuous service to its customers, it is evident that some drastic policy must be pursued. It has been the aim of the Board to assist the company to perform its duty, and the Board has sought to avoid adding to the company's financial difficulties if this could be done without prejudice to the public interest. In view of the frank statement of the company's vice-president that its credit was exhausted and that it did not have funds to purchase materials in large quantities, the Board did not at once, following the hearing, order the company to keep in stock ample reserve supplies of coal and oil. Instead of this the company was advised that if it proposed to order limited quantities at a time of these materials the orders should be placed with such frequency that there would be no shut-down of the plant because of some condition preventing prompt delivery. The company was further advised that the Board desired to be informed with respect to the following:

1. How many cars of hard coal have been ordered which have not been delivered, and when the orders for these cars were placed?
2. Same information with respect to soft coal.
3. Same information with respect to oil.

The company was informed that the Board desired each week a statement giving the above information. It has not made weekly the statements requested, and its failure to keep the Board promptly and regularly supplied with the information desired, makes inadvisable further consideration of the question whether

New Jersey Gas Co.—Adequate and Proper Service.

it can be relieved of its duty to keep ample stocks of coal and oil on hand to obviate the danger of further interruption to service.

The record in this proceeding clearly shows, and the Board finds and determines that the New Jersey Gas Company does not furnish safe, adequate and proper service, and does not keep and maintain its property and equipment in such condition as will enable it to do so.

Mr. C. W. Hoy, general manager of the company, testified that there were needed in reserve six cars of soft coal and at least ten cars of hard coal and 80,000 gallons of oil. The testimony shows that the storage facilities of the company are ample to take care of these quantities of coal and oil.

The Board finds and determines that to enable the New Jersey Gas Company to furnish safe, adequate and proper service the said company should keep on hand, at all times, six cars of soft coal, ten cars of hard coal and 80,000 gallons of oil of the grades required to produce gas which will conform in quality to the standards fixed by the Board, and this will be ordered.

The Board will also order the company to report weekly to it the quantities of soft and hard coal and of oil on hand, and the quantities of these materials ordered but not delivered.

Dated December 10th, 1918.

ORDER.

The Board having, on the date hereof, made and filed a report stating its findings of fact and conclusions thereon, which report, by reference thereto herein, is made part hereof, HEREBY ORDERS:

1. The New Jersey Gas Company to keep in stock at all times at its plant used for the generation of gas at least six cars of soft coal, ten cars of hard coal and 80,000 gallons of oil of the grades necessary to enable the company to produce gas which will conform in quality to the standards fixed by this Board to be observed and followed by gas companies subject to its jurisdiction.

2. To report weekly to the Board the quantities of soft and hard coal and of oil in stock, and the quantities of these materials ordered but not delivered.

This order shall become effective January 1st, 1919.

Dated December 10th, 1918.

Town of Belleville—Permission to Construct Highway.

No. 646.

IN THE MATTER OF THE APPLICATION OF THE TOWN OF BELLEVILLE FOR PERMISSION TO CONSTRUCT A HIGHWAY ACROSS THE TRACKS OF THE ERIE RAILROAD AT GRADE.

The Board has no jurisdiction to lay out a highway nor to determine what acts constitute the dedication of a highway, but exercises the power under the statute in granting permission required by the act where there exists a prior legal right, the enforcement of which is subject to the control of the Board as to whether in constructing the highway across the tracks of the company the interests of the public are protected and safe-guarded, and whether it comports with the declared legislative policy respecting grade crossings.

Harold A. Miller, for petitioner.

M. B. Pierce, for respondent.

The Town of Belleville, on December 27th, 1915, filed its petition with this Board, and later, on March 15th, 1916, its amended petition, for permission to construct Heckel Street across the track of the Erie Railroad Company (Orange Branch), in the Town of Belleville, in the section of said town known as "Silver Lake."

The company filed no answer either to the petition or amended petition, but appeared at the hearing, held March 15th, 1916, Jersey City. Testimony was taken, but final disposition was not urged until the month of March, 1918, when the petitioner and the company filed their briefs.

The application is made under Chapter 195, P. L. 1911, Section 21, which, as amended in 1917, provides:

"No highway shall be constructed across the tracks of any railroad company grade, nor shall any track over which locomotives, railroad or street railway cars are to pass be laid across any highway, so as to make a new crossing at grade, nor shall the tracks of any railroad or street railway or traction company be laid across the tracks of

Town of Belleville—Permission to Construct Highway.

any other railroad or street railway or traction company without first obtaining therefor permission from the Board; provided, however, that this section shall not apply to the replacement of lawfully existing tracks.”

The situation at the locus in quo is that Heckel Street runs practically north and south and at right angles to Franklin Street. The right of way of the company (if Heckel Street were extended across said right of way) would extend approximately, diagonally across the intersection of said streets. Heckel Street, however, terminates at the southerly side of, and does not extend over, said right of way. A grade crossing exists at Franklin Street, protected by gates from 7 A. M. to 7 P. M. Heckel Street is an improved street having considerable travel thereover, both pedestrian and vehicular.

The pedestrian travel from Franklin Street to Heckel Street, and vice versa, crosses the tracks of said company without protection, which condition is not desirable and may be dangerous. The remedy, however, does not necessarily depend upon the construction of a grade crossing at Heckel Street, but rather lies within the power of the company itself; and if not, by proper proceedings in the courts to prohibit pedestrians from trespassing on the right of way of said company at points other than lawfully existing grade crossings.

The question for determination is whether the Board shall grant permission to construct Heckel Street across the right of way of the company. The elements to be taken into consideration are well stated by the Supreme Court in *N. Y., S. & W. R. R. Co. vs. Board of Public Utility Commissioners et al.*, 101 *Atlantic*, page 50, as follows:

“The declared object of the statute is to protect the public from the danger incident to grade crossings, and the inquiry before the Commissioners was whether such a crossing as that in question would result in increasing the danger and hazards of the public in the use of it, and if it would increase the public dangers, then whether, in view of the situation thus presented, it was still necessary and desirable as a public convenience, but if its ex-

Town of Belleville—Permission to Construct Highway.

istence and continued use might serve in actual practice as a standing menace to the lives of the community, it would not comport with a proper exercise of wisdom, nor accord with the declared legislative policy and intent, to authorize or compel such construction."

However, the elements indicated in that case become pertinent only when there is a lawfully laid out, existing highway either by the act of the owner, or by some appropriate proceedings or otherwise.

The Board has no jurisdiction to lay out a highway nor to determine what acts constitute the dedication of a highway (*N. Y., S. & W. R. R. Co. vs. Board of Public Utility Commissioners*, cited *supra*), but exercises the power under the statute, in granting permission required by the act, where there exists a prior legal right; the enforcement of which is subject to the control of this Board as to whether in constructing the highway across the tracks of the company the interests of the public are protected and safeguarded, and whether it comports with the declared legislative policy respecting grade crossings.

In this proceeding inquiry into these matters is not necessary for here, admittedly, Heckel Street terminates at the southerly side of the right of way of the said company and is not laid out over and does not extend beyond said right of way. For the reasons stated, the Board is without power to grant permission and the petition is dismissed.

The decision in the suit of *N. Y., S. & W. R. R. Co. vs. Board of Public Utility Commissioners*, hereinbefore referred to, necessarily led to a denial of the present petition. The said case having been removed, by appeal, to the Court of Errors and Appeals, the Board withheld its report pending a decision in the court of last resort. During the present November term, the opinion of the Supreme Court was affirmed.

Dated December 10th, 1918.

Cape May Illuminating Co.—Increased Rates.

No. 647.

IN THE MATTER OF THE APPLICATION OF THE CAPE MAY ILLUMINATING COMPANY FOR INCREASE IN RATES FOR GAS.

1. Increased rates made effective for a temporary period are continued following submission of testimony showing the necessity thereof.
2. A rule providing for allowance of discount on bills paid by the tenth of the month should be changed so discount will be allowed if bill is paid within ten days after the same is rendered.
3. A rule providing for discontinuance of service for any indebtedness whatsoever should be modified so that it shall be distinctly understood that "indebtedness" applies only to indebtedness for gas consumption.

SUPPLEMENTAL REPORT.

C. L. S. Tingley and Samuel Eldridge, for Cape May Illuminating Company.

J. Spicer Leaming and J. M. E. Hildreth, for City of Cape May and Citizens' Committee.

On July 25th, 1918, the Cape May Illuminating Company filed a petition for approval of increased rates. It was proposed to make the new schedule of rates effective on and after August 15th. The petition alleged that the company's operating expenses were in excess of gross receipts and that the increased prices of coal and oil were causing a large and growing deficit, making an increase in revenue imperative.

The Board filed a report on August 6th, which stated—

"It is assumed that these allegations will be proven at a hearing. They constitute a prima facie case indicating that immediate relief should be afforded to the applicant utility in order that it may continue to render service to its customers."

The Board therefore concluded that, subject to certain conditions set forth in its report, it would permit the proposed sched-

Cape May Illuminating Co.—Increased Rates.

ule to become effective August 15th for a period of two months. One of the conditions was that the matter would be heard in Trenton on October 8th,

“at which hearing the petitioner must submit proof of the allegations contained in its petition and herein assumed to be true.”

The hearing was postponed from October 8th until November 19th, upon which date the company submitted testimony in support of its petition.

After a full consideration of this testimony the Board is of the opinion that the new schedule of rates should remain in effect subject to the conditions, except that which referred to the hearing, set forth in its report of August 6th.

From testimony taken at the hearing it appeared that the local superintendent of the company had been requiring a deposit of \$10 from every customer at the beginning of service and that this was not consistent with the company's tariff. It was admitted that the tariff should govern, and it is assumed that the practice of requiring a \$10 deposit from every customer will cease and that deposits will be required only in accordance with the company's rule. It also appeared that the company's rule with respect to allowance of discount literally interpreted would prevent the application of the discount if the bill is not paid on the 10th of the month, irrespective of the date when the bill is rendered. This rule should be changed so as to provide for an allowance of the discount if the bill is paid within ten days after the same is rendered.

The company's Rule No. 9 provides that—

“The company's agents will have free access to the service pipe, meter and its connection at all reasonable hours and may remove the same for any purpose or upon a consumer's failure to comply with any of the rules of the gas company or for any indebtedness whatsoever, and may, in addition, sever the connection with the service pipe, thereby discontinuing the supply of gas.”

While testimony was to the effect that service was never discontinued on account of a customer owing a bill for merchandise, the rule which provides for discontinuance “for any indebted-

Cape May Illuminating Co.—Increased Rates.

ness whatsoever," might some time be locally interpreted so as to lead to discontinuance of service because of failure to pay a merchandise account. The company's rule should be modified, so that it shall be distinctly understood that "indebtedness" applies only to indebtedness for gas consumption.

Incidental to the hearing upon the rate schedule, the question of the adequacy of the company's service was raised. No formal complaint had been filed with the Board as to the adequacy of service and the record before the Board is not sufficient for any order dealing with service to be made.

Mr. Tingley, representing the gas company, admitted that during the past year the company's service had not been good. He stated—

"We have not had sufficient purifying capacity and have been unable to get it. We have virtually had another plant which we had planned to take there to Cape May this summer to reinforce it, but under the existing demands we were unable to get it there. We expect to have it there before next summer."

Statements made with respect to the service referred to the service during the summer season when the demand upon the gas company is greatly increased.

Mr. Leaming, representing the city, stated that numerous complaints had been made to the city of the service rendered; that there were more complaints with respect to the service than of the price charged.

Mr. Hildreth, representing citizens of Cape May, stated, referring to certain unsatisfactory conditions of service:

"I proposed, if possible, to have those things brought to the attention of the Commissioners here to take any action they see fit, but primarily to get it to the attention of the officers of the corporation, because I feel myself they will remedy most of these defects."

In view of the admission on the part of the company that the service has not been up to the standard desirable, the known adverse conditions under which the company was compelled to operate during the past summer, and specific assurance of improvement to be effective before the next summer season begins, the

Town of Irvington—Permission to Cross Tracks.

Board will not at this time take formal action with respect to the service, but will direct its engineer to keep in touch with the situation at Cape May and to report to the Board if it appears that the company is not acting with due diligence to prevent a recurrence of conditions which lead to complaints of poor service. Should it be so reported, the Board will act promptly in the matter.

The Board will expect the company to file promptly revised rules and regulations which will satisfy the criticisms made in this report of its existing rules and regulations.

Dated December 10th, 1918.

No. 648.

**APPLICATION OF TOWN OF IRVINGTON FOR PERMISSION TO CROSS
TRACKS OF LEHIGH VALLEY RAILROAD AT PAINE AVENUE.**

The act requiring permission of the Board for the construction of a crossing at grade has in view the protection of the traveling public. The present policy is to decrease, rather than increase, grade crossings, and permission is usually withheld until there is a public demand for a grade crossing as a matter of necessity.

W. Eugene Turton, for Town of Irvington.

H. W. Smith, for Lehigh Valley Railroad Company.

L. Edward Herrmann and *James Maybury, Jr.*, for Board of Public Utility Commissioners.

Petition was filed by the Town of Irvington for permission to construct Paine Avenue, a highway in said town, across the tracks of the Lehigh Valley Railroad at grade. Hearings were held on October 16th, November 6th and November 20th.

It appears that Paine Avenue runs southeasterly to the junction of Chestnut Avenue and Coit Street and that it is proposed

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to extend the same for a distance between 500 and 600 feet southeasterly from Coit Street, at grade, over the tracks of Irvington Branch of the Lehigh Valley Railroad to the Union County line, approximately 250 feet beyond.

The ordinance providing for the opening of said thoroughfare was adopted by the Town of Irvington on May 23d, 1917, and approved May 25th, 1917. The town failed to request permission for the construction of said thoroughfare until the petition was filed on October 1st, 1918. An Act Concerning Public Utilities, as amended by Chapter 218, Laws of 1917, requires permission of the Board for the construction of highways across the tracks of any railroad company at grade.

Gould & Eberhardt, manufacturers of machine tools, employing between 800 and 900 men, own a tract of land lying adjacent to and southeasterly of the tracks of the Lehigh Valley Railroad Company, and between Chancellor Avenue and the Union County line. For the purpose of affording ingress and egress to and from its plant, the Gould & Eberhardt firm has been using Chancellor Avenue, and also, through permission of the Lehigh Valley R. R. Company, a private roadway over the railroad tracks, where it is now proposed to construct a public crossing by the extension of Paine Avenue.

That part of the proposed street lying southeasterly of the tracks of the Lehigh Valley Railroad was included in the original tract purchased by Gould & Eberhardt, and was dedicated by that company for the purpose of opening and extending said street from Coit Avenue and providing an entrance to the Gould & Eberhardt plant.

It is claimed by Gould & Eberhardt that the Paine Avenue crossing is necessary for a proper operation of said plant; that the receiving end of the plant is at the southerly end, which is necessarily Paine Avenue, and that is the reason they desire the raw materials and all that goes to the receiving end to come in at Paine Avenue; that it would be quite inconvenient to use Chancellor Avenue in that connection and dispense with Paine Avenue.

The following traffic count, taken from Ex. 08, indicates the traffic over said private crossing as taken by the Lehigh Valley Railroad for three days, November 15th, 18th and 19th, 1918:

Town of Irvington—Permission to Cross Tracks.

	Wagons.	Auto Trucks.	Automobiles.	Horses.	Pedestrians.
Sat., Nov. 16...	2	7	11	2	20
Mon., Nov. 18..	3	5	9	5	17
Tues., Nov. 19..	2	4	14	2	16
	—	—	—	—	—
	7	16	34	9	53

Said count was kept from 6:30 in the morning to 6:30 at night.

The testimony of Peter Kerwin, an inspector of the Board, shows that he took a traffic count of travel on Paine Avenue on Wednesday, November 13th, from 8:25 to 12 A. M., and from 1 to 2:45 P. M., and that all the vehicular traffic he noted consisted of oil trucks going in Gould & Eberhardt's plant, discharging their loads and returning. It appears from the testimony of Mr. Kerwin and other witnesses that the country southeast and a short distance beyond the Lehigh Valley Railroad tracks consists of grazing land and woodland, and that there is no necessity, at the present time, for a public crossing at the point in question. It also appears that Chestnut Avenue, lying southwesterly of the proposed crossing and within a reasonable distance thereof, and Chancellor Avenue, northeasterly thereof, cross the tracks of said railroad and connect the territories on both sides thereof; that the territory northeast of Chancellor Avenue on both sides of the tracks is well served by Lyons Avenue, Cottage Avenue, Clinton Avenue and connecting streets, and that there is no demand for a public crossing at the point in question. The act requiring permission of the Public Utility Commissioners for the construction of a crossing at grade has in view the protection of the traveling public. The present policy is to decrease, rather than increase, grade crossings, and permission is usually withheld until there is a public demand for a grade crossing as a matter of necessity. Mere inconvenience to the public is not a sufficient reason to jeopardize its safety. It appears that at the present time the crossing would only serve the plant of Gould & Eberhardt. This plant is now served by Chancellor Avenue and also by the private crossing at Paine Avenue. Hence there is no necessity at the present time for Paine Avenue being used as a public crossing.

Should new conditions arise, further consideration will be given on proper application.

The present application will be denied.

Dated December 10th, 1918.

Town of Belleville—Permission to Construct Highway.

any other railroad or street railway or traction company without first obtaining therefor permission from the Board; provided, however, that this section shall not apply to the replacement of lawfully existing tracks.”

The situation at the locus in quo is that Heckel Street runs practically north and south and at right angles to Franklin Street. The right-of way of the company (if Heckel Street were extended across said right of way) would extend approximately, diagonally across the intersection of said streets. Heckel Street, however, terminates at the southerly side of, and does not extend over, said right of way. A grade crossing exists at Franklin Street, protected by gates from 7 A. M. to 7 P. M. Heckel Street is an improved street having considerable travel thereover, both pedestrian and vehicular.

The pedestrian travel from Franklin Street to Heckel Street, and vice versa, crosses the tracks of said company without protection, which condition is not desirable and may be dangerous. The remedy, however, does not necessarily depend upon the construction of a grade crossing at Heckel Street, but rather lies within the power of the company itself; and if not, by proper proceedings in the courts to prohibit pedestrians from trespassing on the right of way of said company at points other than lawfully existing grade crossings.

The question for determination is whether the Board shall grant permission to construct Heckel Street across the right of way of the company. The elements to be taken into consideration are well stated by the Supreme Court in *N. Y., S. & W. R. R. Co. vs. Board of Public Utility Commissioners et al.*, 101 *Atlantic*, page 50, as follows:

“The declared object of the statute is to protect the public from the danger incident to grade crossings, and the inquiry before the Commissioners was whether such a crossing as that in question would result in increasing the danger and hazards of the public in the use of it, and if it would increase the public dangers, then whether, in view of the situation thus presented, it was still necessary and desirable as a public convenience, but if its ex-

Town of Belleville—Permission to Construct Highway.

istence and continued use might serve in actual practice as a standing menace to the lives of the community, it would not comport with a proper exercise of wisdom, nor accord with the declared legislative policy and intent, to authorize or compel such construction."

However, the elements indicated in that case become pertinent only when there is a lawfully laid out, existing highway either by the act of the owner, or by some appropriate proceedings or otherwise.

The Board has no jurisdiction to lay out a highway nor to determine what acts constitute the dedication of a highway (*N. Y., S. & W. R. R. Co. vs. Board of Public Utility Commissioners*, cited *supra*), but exercises the power under the statute, in granting permission required by the act, where there exists a prior legal right; the enforcement of which is subject to the control of this Board as to whether in constructing the highway across the tracks of the company the interests of the public are protected and safeguarded, and whether it comports with the declared legislative policy respecting grade crossings.

In this proceeding inquiry into these matters is not necessary for here, admittedly, Heckel Street terminates at the southerly side of the right of way of the said company and is not laid out over and does not extend beyond said right of way. For the reasons stated, the Board is without power to grant permission and the petition is dismissed.

The decision in the suit of *N. Y., S. & W. R. R. Co. vs. Board of Public Utility Commissioners*, hereinbefore referred to, necessarily led to a denial of the present petition. The said case having been removed, by appeal, to the Court of Errors and Appeals, the Board withheld its report pending a decision in the court of last resort. During the present November term, the opinion of the Supreme Court was affirmed.

Dated December 10th, 1918.

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Power Equipment.—There are two turbine water wheels, rated at 30 and 8 horsepower, respectively, which may be connected by belt to a jack staff, to which may also be belted the pumps and other motor. There is also a Remington horizontal oil engine installed in the station, but it is not at present so connected to the jack staff that it can drive the pumps referred to in the next paragraph. This Remington engine is intended as a reserve unit to drive the jack staff, which, in turn, by belt, drives the triplex pump. This oil engine has not been in use since the ice plant, located in the same building, was shut down. The only arrangement in the station for starting this oil engine, however, which requires some auxiliary power to start it, is by means of the turbine driving the jack staff, which, in turn, starts the oil engine. There is no other auxiliary starting apparatus such as a small gasoline engine which can start the Remington engine through a belt, nor a compressed air-starting apparatus such as is used at a number of plants in this State under similar conditions. The cost of the latter type of starter is normally about one hundred dollars, installed.

The testimony indicates that a small 8 horsepower gasoline engine was installed for temporary emergency on November 14th, in order to drive the triplex pump delivering water directly into the system of mains with the tank cut off. This engine was not adequate, however, to supply the demand and keep the tank full.

Pumping Equipment.—There is a 6 x 8 triplex belt-driven pump with a rated capacity of 7,000 gallons per hour and a reciprocating pump of 4,000 gallons per hour capacity, belonging to the Tuckerton Water Company, according to its annual report. The triplex pump is driven by belt from the jack staff above referred to, which jack staff, when the station equipment is properly connected, may be driven either by the water turbine or by the gas engine.

Water Tank.—The company has a 50,000-gallon water tank, 20 feet in depth, supported on a trestle about 60 feet high, the top of the tank being about 96 feet above tide level.

The tank gives storage capacity to and equalizes the pressure in the system of mains of the company laid through the streets

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of the borough. The elevation of the borough does not vary greatly, being between 11 feet above sea level at its lowest point and about 27 feet at the highest point.

OPERATION OF STATION.

The testimony of the president of the company and others indicates that the station pumps have heretofore been operated almost entirely by water turbines. The grist mill, immediately adjoining the pumping station, has been leased, however, to S. J. Ridgeway, who also uses water from Lake Pohatgong in the operation of the turbine water wheel leased by him. While, theoretically, the Remington horizontal engine is held as a reserve unit, it has not been kept connected nor in condition to act as such, nor has the company any facilities for starting same when it cannot be started by waterpower.

The rainfall for the last six months in the region of Tuckerton has been quite deficient, more deficient as the latter part of this period is reached. The president of the company claims that one Parker has been employed by the company continuously as superintendent of the water plant, and that it is Parker's duty to set the gates for the water wheels in the morning to take care of the consumption of the day until evening, at which time he should set the gates for the smaller consumption usually required during the night. The height at which the water is pumped in the standpipe is indicated by a 5-inch dial pressure gauge marked to register in feet, having a black hand actuated by the pressure of the water, and a red hand which could be set on the dial at a point at which the tank would overflow. In this manner whoever operates the station is supposed to regulate the pumping. This gauge has no recording apparatus and therefore only indicates the instant pressure in feet. The evidence submitted on behalf of the borough indicates, however, that Mr. Parker had not fulfilled the duties for which it is alleged the company employed him.

The testimony of S. J. Ridgeway, who leases the mill property from the president of the Tuckerton Water Company, is quite

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pertinent, and as it was substantiated by other witnesses, will be quoted at some length.

“Q. Where do you live?

“A. Tuckerton.

“Q. Where is your place of business?

“A. At the west end of the Tuckerton mill dam, the east end.

“Q. As connected with the Tuckerton Water Company, where is your business?

“A. The Tuckerton Water Company—I rent the mill property of the Tuckerton Water Company.

“Q. You are in the milling business?

“A. Yes, sir.

“Q. Next door is the Tuckerton Water Company's plant?

“A. The Tuckerton Water Company's plant; yes, sir.

“Q. What do you know about the service of the Tuckerton Water Company to the residents of Tuckerton?

“A. It is very poor.

“Q. For how long has it been poor?

“A. It has been poor for some four or five weeks recently, and it was quite poor previous to the freeze-up and break last spring. I started the pump a number of times myself, took it upon myself to start the pump for the benefit of the town. I came over there and citizens were around asking about the water, and I have gone to the pump room, crawled through the windows and found the power wheel running but no belts on the pump. The pump was not pumping. The power wheel was going around, but no belt on the pump to pump with.

“Q. Did they have a man there to attend to the pump?

“A. They had a man there, but he was not on duty very much of the time. I got up one Sunday morning before daylight and called him up, told him I was out of water. I said on my way over I started the pumps so the people could get water by the time you got down there.

“Q. When was that?

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"A. That was last winter; I don't know the date; before the freeze-up.

"Q. How often has this man been on the job, we will, say, since last February?

"A. He left some time early this spring or the latter part of the winter, that man did.

"Q. They have had some other man there, then?

"A. There only part of the time, off and on.

"Q. Who would run it the time this man was not there?

"A. Well, various times I have gone down there, and his wife has been down there. She has come into the mill and wanted to know if I could help with the water. I told her I would do what I could. I don't know much about it. Her husband was down to the wireless radio station working. He said he would take care of it, and take care of it right if they would pay him enough to do it. But he said they would not pay him enough to keep his family, and he had to go somewhere else to work.

"Q. He would then leave his wife to attend to that work?

"A. Yes. I found her there several times. She would come in and call me out of the mill to help her.

"Q. From February up to the present time has there been anybody there actually on the job to attend to this water plant?

"A. Not at all, no, sir.

"Q. With what regularity?

"A. Well, I haven't any records of it; it is very spasmodically; off and on; I would be around there; any of the citizens could go in and out whenever they wanted to, it seemed to be open to the general public; free access to any part of the building.

"Q. Did you ever see anybody else there except those who were employed, starting the engines to get a water supply?

"A. I have seen Mr. Smith there two or three times when I have been going over in the morning."

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Mr. Pharo stated that for some months he had not been able to look after the plant in Tuckerton personally, as he had been confined to his house from illness from April to October and had only been to Tuckerton twice since last April, but that "he knew that Tuckerton was out of water four weeks ago" (i. e., prior to November 18th).

The testimony indicates very clearly that the following contributing causes have resulted in the serious inadequacy of water hereinbefore set forth:

1. For some months the management has failed to provide competent superintendence and operation of that plant, in that Parker, whom the company alleges was supposed to operate the plant and supervise it continuously, sought employment elsewhere and was not on hand to assure continuously safe, adequate and proper service, and the company employed no one to take his place, nor did the company make inspections to ascertain that the service was adequately maintained.

2. Owing to the abnormal dryness of the season, the inflow of water into Pohatgong Lake has been much less than in ordinary years, notwithstanding which the grist mill has been operated by water power, and turbines in the water company's plant have been allowed to waste water beyond a point to which it was safe to draw down the level of the lake. The management should have indicated, by bench mark or otherwise, the safe point to which the level of the lake should be drawn. When this point was reached, the operation of the water turbines should have been absolutely prohibited until the level of the water in the lake was raised sufficiently through rains. During this interval the reserve oil engine should have had proper auxiliary starting apparatus not dependent on water power and so connected that it could drive the triplex pump, thus assuring at all times an adequate supply of water to the Borough of Tuckerton. If, instead of connecting an 8 horsepower gasoline engine with these pumps this gasoline engine had been so connected that it could start the Remington engine, it would appear that the town could have been adequately supplied through the power so furnished.

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On February 19th, 1917, this Board, after hearing, issued its "Rules, Regulations and Recommendations for Water Utilities," effective on March 14th, 1917. The company has neglected to observe the following rules, viz.:

"I. DUTY OF THE UTILITY.

"(a) It shall be the duty of every utility to furnish and maintain such service, including facilities, as will be in all respects proper, reasonably adequate and practically sufficient for the accommodation and safety of its patrons. These rules neither charge nor limit the duties now imposed upon the utilities, but merely serve to define such duties and to determine methods for their performance. Each utility shall inform its prospective customers where peculiar or unusual conditions prevail, as to the conditions under which service may be obtained from its system.

"V. OPERATING RECORDS.

"(a) Each utility shall keep a record of the time of starting and shutting down the principal units in its pumping and filtering plant, together with records of quantities of water pumped or filtered and amounts used for washing of filters. These records shall also include information as to pressures maintained at pumping stations.

"(b) Each utility shall keep a record of all interruptions to service on its entire system or on any portion thereof, which record shall contain the time, cause, extent and duration of the interruption.

"(d) Each utility furnishing water service shall maintain a graphic recording pressure gauge at its plant, downtown office, or at some central point in the distributing system or each subdivision thereof, where continuous records shall be made of the pressure in the mains at that point."

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If the provisions of Rule V had been complied with, especially as recited in (d), the Board would have had positive information as to the pressures which have been maintained in this system at all times continuously throughout the day and night. The graphic recording pressure gauge referred to therein should have been installed immediately after March 14th, 1917, and the company is in default especially with respect to this rule.

There can be no question that the record of the three hearings proves conclusively that the company has failed "to furnish safe, adequate and proper service and to keep and maintain its property and equipment in such condition as to enable it to do so."

There seems to have been no effort made by the part of the management to see that its alleged superintendent performed his duty and even after the president of the company was made aware of the failure of service, no effort has been made to put the plant in condition to serve the borough properly. The president of the company states that the company, prior to 1918, has at all times had sufficient water to operate its hydraulic turbines and to furnish adequate service to the Borough of Tuckerton. Notwithstanding the facts that during the larger part of this year service has been inadequate, he has failed entirely to take steps to see that the service be made adequate. It is the duty of the utility to prepare for the worst year which may occur and not assume that service during the average year is adequate service.

The Board therefore finds and determines:

1. That the Tuckerton Water Company does not furnish safe, adequate and proper service, nor keep and maintain its property and equipment in such condition as to enable it to do so.

2. That, in order to furnish such safe, adequate and proper service, it should do the following:

- (a) Employ immediately a competent man as superintendent to assure the proper operation and maintenance of its plant.

- (b) Place its Remington oil engine, alleged to be held in reserve, in such condition that it can be thrown into operation at once when the hydraulic power cannot, or should not, be used. A proper starting equipment to start the Remington oil engine either by an auxiliary gas engine or by a compressed air system

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or other arrangement should be installed within 30 days from the date of this report.

(c) Establish a bench mark or gauge at a convenient point in the lake below which the level of the water may not be lowered through any means (within the control of the company) except by the service of water to the Borough of Tuckerton. This should be installed within 30 days from the date hereof.

(d) Place its intake flume in proper repair within 30 days.

(e) Take immediate steps to comply with the following rules recited in the "Rules, Regulations and Recommendations for Water Utilities," hereinabove cited, number "I. DUTY OF THE UTILITY, (a); V. OPERATING RECORDS, (a), (b) and (d). With respect to sections (a) and (b), the keeping of this record should be instituted at once, and with respect to (d) the recording gauge should be installed within 30 days.

(f) That it should maintain the level of the water in its tank to within 6 feet of the top thereof at all times.

An order will so issue.

Dated December 17th, 1918.

ORDER.

This matter having been duly heard and the Board having, on the date hereof, made and filed a report containing its findings of fact and conclusions thereon, which report, by reference thereto herein, is made part hereof, the Board HEREBY ORDERS the Tuckerton Water Company:

1. To furnish and maintain such service, including facilities, as will be in all respects proper, reasonably adequate and practically sufficient for the accommodation and safety of its patrons.

2. To inform its prospective customers where peculiar or unusual conditions prevail as to the conditions under which service may be obtained from its system.

3. To keep a record of the time of starting and shutting down the principal units in its pumping plant, together with records of quantities of water pumped. These records shall also include information as to pressures maintained at pumping station.

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4. To keep a record of all interruptions to service on its entire system or on any portion thereof, which record shall contain the time, cause, extent and duration of the interruption.

5. To maintain a graphic recording pressure gauge at its plant, or at some central point in its distributing system, so that continuous records shall be made of the pressure in the mains at said point.

6.

(a) Employ immediately a competent man as superintendent to assure the proper operation and maintenance of its plant.

(b) Place its Remington oil engine in such condition that it can be thrown into operation at once when the hydraulic power cannot, or should not, be used, and install within 30 days from the date hereof a proper equipment to start the said Remington oil engine, which equipment may be either an auxiliary gas engine or compressed water system.

(c) Establish within 30 days from the date hereof a benchmark or gauge at a convenient point in the lake from which water is supplied to the company, below which the level of the water must not be lowered through any means (within the control of the company) except by the service of water to the Borough of Tuckerton.

(d) Place its intake flume in proper repair within 30 days from the date hereof.

(e) Maintain the level of the water in its tank to within six feet of the top thereof at all times.

This order shall become immediately effective.

Dated December 17th, 1918.

Borough of Swedesboro vs. Woolwich Water Co.

No. 650.

BOROUGH OF SWEDESBORO

VS.

WOOLWICH WATER COMPANY.

A water company failing to furnish safe, adequate and proper service is ordered to make repairs and additions to its plant and to observe the Board's rules for water utilities.

J. Boyd Avis, for Borough of Swedesboro.

L. Edward Herrmann and *Jos. N. Vacca*, for Board of Public Utility Commissioners.

The Borough of Swedesboro filed a petition, alleging that the Woolwich Water Company operates a water plant in its borough, in the County of Gloucester, N. J., under contract to furnish water for fire hydrants, at the annual rental of \$17.50 per hydrant, payable semi-annually; that the company had failed and neglected to furnish sufficient water through its tanks and mains to said hydrants for proper and adequate fire protection of the buildings in said borough; that the lack of supply is due to a lack of pumping machinery, and that failure of the company to repair its water mains, caused the disconnection of several of the fire hydrants. It was claimed that the borough authorities had applied to the utility to remedy the causes of lack of supply, but that the company had not made the necessary repairs, or furnished the necessary machinery to pump a sufficient supply of water.

The petitioner prayed that the Board should make a thorough investigation of conditions of water supply furnished by the utility, and by order, direct and compel the utility to furnish an adequate supply of water to the hydrants in said borough for fire purposes and such other relief as may be just.

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No answer was filed by the utility.

Hearing was held on November 4th, 1918, and no one appeared representing the company.

It appeared from the testimony of Mayor Black that for a period of several months past the standpipe was very seldom half full and that on some days part of the town could not secure any water; that one of the wells is out of service; that the matter had been taken up with Mr. Merritt W. Pharo, president of the company, a number of times, but that the town is still without fire protection; that water is not delivered to second stories of dwellings and to business places in the upper end of the town; that for a period covering three months or so only one pump was in operation and that there had also been some broken mains, which had been remedied.

J. N. Vacca, an inspector of the Board, testified that on October 21st, 1918, he investigated conditions at the plant at Swedesboro; that prior thereto he had made a general inspection of the company's properties and plant. Referring to the investigation made on the complaint of the borough, he testified that the eight-inch well, which carries about 60% of the load of the company's demand, has a screen in it clogged with sand so far that it cannot properly function; that this naturally results in a serious shortage of water; that the president of the company was interviewed at Haddonfield and mentioned that on Saturday, October 19th, the town was without water for two hours. Witness further testified that this was probably caused by the standpipe being completely empty, and that this probably was due to the canning season being in full swing in Swedesboro with a consequent large amount of water required by the canning interests. The witness further added that apart from the sand in the screen, the service would be adequate for domestic services; that a fire hydrant test could not be made because the water in the standpipe was so low; that the pumping capacity is adequate, but the well supply not very reliable; that the utility should sink additional wells to insure a certain safe minimum supply of water, enough for domestic service and to make provisions for fire protection and make certain that the pumping equipment is of ample capacity and in

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sufficient units to guarantee against breakdown. The witness further testified that the suction lines had not been interconnected between the various units, and that if all the suction lines were tied in, the well supply in any one well could be raised to the surface and pumped in the standpipe by means of any units available.

The following quotation from witness's testimony indicates the advantage to be gained by connecting suction lines as suggested:

"That might be illustrated by saying that if the gas engine working the two Davis pumps now used to derive water from the six-inch wells went out of commission, the entire station would be shut down, whereas, if the suction lines were tied in, the Rumsey pump, which is fed by the eight-inch well, now out of commission, could be used, which is not now the case."

Witness further recommended the installation of an eight-inch well, similar to the one now out of commission, and stated that if they install more than one well, they could vary the sizes to suit, and that the installation of another eight-inch well would cost about \$1,200.

Witness further testified that the screen in the eight-inch well is sanded and clogged up; that it needs to be cleaned, and that the well could be put in operation as soon as it is cleaned; that pending the cleaning, they could obtain water from the new well, which the witness recommended; that the screen in question, if cleaned, would render the service and keep up the domestic and industrial demand, but this would not apply to the fire requirements, even with the well in place or rehabilitated.

Witness further stated that one of the pumps was pounding badly and another one is in need of a muffler.

After a careful examination of the record, we are satisfied that the utility is not performing the duties imposed upon it, but on the contrary, has failed to use ordinary diligence to maintain service.

We accordingly find and determine that the Woolwich Water Company fails to furnish safe, adequate and proper water service for the Borough of Swedesboro and its inhabitants, and also fails

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to keep and maintain its property and equipment in such condition as to enable it to do so. That in order to furnish safe, proper and adequate service and keep and maintain its property and equipment in condition to enable it to do so, it should:

1. Immediately clean the screens in the wells already installed, in order to increase available water supply.

2. Complete the housing for the Fairbanks-Morse gas engine located outside the station. This structure to be replaced with a non-combustible structure before March 1st, 1919.

3. That at least one additional eight-inch well should be installed on or before March 15th, 1919.

4. That the suction lines to the various pumps be interconnected before January 15th, 1919, so that any pump can be used to draw water from any well or wells, and that similar connection be made to any new wells as soon as the same are installed.

5. That all engines, pumps and equipment connected therewith be immediately placed in good running order, and that the same be so maintained, and that they be efficiently operated, to the end that a sufficient supply of water will be maintained in the standpipe and mains as to afford an adequate supply of water at all times to the Borough of Swedesboro and its inhabitants at sufficient pressure for domestic and industrial consumption, as well as for fire purposes.

6. Inaugurate a definite and comprehensive system of pumping records along the lines required in Rule V, *a, b, c* and *d* of this Board's Rules, Regulations and Recommendations for Water Utilities, effective March 10th, 1917.

7. Install a graphic recording pressure gauge at some place on its system, other than at the station, such as the borough hall, fire house, school house, bank or other public building, which is kept heated during the winter. Continuous records or charts to be taken from this gauge and kept as required by Rule V, *d* of this Board's Rules, Regulations and Recommendations for Water Utilities, above referred to.

An order will be made in accordance with these findings.

Dated December 17th, 1918.

Borough of Swedesboro vs. Woolwich Water Co.

ORDER.

This matter having been duly heard and the Board having, on the date hereof, made and filed a report containing its findings of fact and conclusions thereon, which report, by reference thereto herein, is made part hereof, the Board HEREBY ORDERS the Woolwich Water Company to do the following:

1. Immediately clean the screens in the wells already installed, in order to increase available water supply.

2. Complete the housing for the Fairbanks-Morse gas engine located outside the station. This structure to be replaced with a non-combustible structure before March 1st, 1919.

3. That at least one additional eight-inch well should be installed on or before March 15th, 1919.

4. That the suction lines to the various pumps be interconnected before January 15th, 1919, so that any pump can be used to draw water from any well or wells, and that similar connection be made to any new wells as soon as the same are installed.

5. That all engines, pumps and equipment connected therewith be immediately placed in good running order, and that the same be so maintained, and that they be efficiently operated, to the end that a sufficient supply of water will be maintained in the standpipe and mains as to afford an adequate supply of water at all times to the Borough of Swedesboro and its inhabitants at sufficient pressure for domestic and industrial consumption, as well as for fire purposes.

6.

(a) Keep a record of the time of starting and shutting down the principal units in its pumping plant, together with records of quantities of water pumped, such records to include information as to pressures maintained at the pumping station.

(b) Keep a record of all interruptions to service on its entire system, or on any portion thereof, which record shall contain the time, cause, extent and duration of the interruption.

(c) Keep a record of all accidents happening in or about or in connection with the operation of its property, filters or service, wherein any person shall have been killed or injured or

New Jersey Northern Gas Co.—Increased Rates—Further Hearing.

property damaged or destroyed, with a full statement, as far as possible, of the causes of such accidents and the precaution, if any, taken as prevention against future accidents of similar character.

7. Install a graphic recording pressure gauge at some place on its system, other than at the station, such as the borough hall, fire house, school house, bank or other public building, which is kept heated during the winter. Make from this pressure gauge, at least once each month, records, each record covering a period of at least twenty-four hours' duration, of the water pressure. All records or charts so made shall be identified, dated, and kept on file, available for inspection for a period of at least two years.

This order shall become effective January 10th, 1919.

Dated December 17th, 1918.

No. 651.

**APPLICATION OF THE NEW JERSEY NORTHERN GAS COMPANY
FOR INCREASED RATES—FURTHER HEARING.**

Application is made by a gas company to increase its rate to domestic consumers 55 cents per thousand cubic feet and to industrial consumers 20 cents per thousand cubic feet.

1. The form of this rate does not meet with approval. There is no reason for discrimination between industrial and domestic consumers. If by reason of increased consumption either customer will reduce the average cost to the company it is a proper and reasonable basis for decreasing rates.

2. In a block rate applicable to all classes of metered customers the total bill will be determined by the amount of gas consumed in each block multiplied by the rate for such block. In this way the benefit of the wholesale consumption will be taken care of automatically and there will be no discrimination between classes of customers. This method of charging is approved.

J. A. Riggins, for the petitioner.

George H. Large, for Flemington Board of Trade and Chamber of Commerce.

New Jersey Northern Gas Co.—Increased Rates—Further Hearing.

Walter F. Hayhurst, for Lambertville.

The petition alleges that on December 19th, 1917, after hearing, this Board issued a report which increased the rate of the New Jersey Northern Gas Company to \$1.55 per thousand cubic feet net for all gas consumed, plus a monthly fixed service charge of 25 cents to be paid by all domestic consumers.

That on March 1st, 1918, the petitioner increased its industrial rate 30 cents per thousand cubic feet, the new rate, as filed by the company, being as follows:

\$1.30 for the first 20,000 cubic feet.
1.25 for the next 10,000 cubic feet.
1.20 for the next 10,000 cubic feet.
1.15 for the next 10,000 cubic feet.
1.10 for the excess.

That the operating costs, especially during the first seven months of 1918, due to war conditions, have greatly increased over those prevailing during the first seven months of 1917; that for the first seven months of 1918 the petitioner sold 13,971,000 cubic feet of gas, a slight increase in domestic and industrial consumption over the same period for 1917, but that the normal annual increase for metered gas was not maintained in 1918.

That the Stockton Street lights were discontinued during the latter period.

The petitioner asks that it may increase its rate to its domestic consumers 55 cents per thousand cubic feet and its rate to its industrial consumers 20 cents per thousand cubic feet, and that said increase take the form of a fixed service charge of 40 cents and a rate of \$1.95, or a fixed service charge of 25 cents and a rate of \$2.15 per thousand cubic feet for gas consumed, said increase to be a war emergency increase.

On December 19th, 1917, only the question of a rate for domestic consumers was before the Board. The present application, however, asks that both the domestic and industrial rates for gas be fixed by the Board at the figures shown hereinabove. It will, therefore, be necessary to make an analysis determining

New Jersey Northern Gas Co.—Increased Rates—Further Hearing.

the rates for all classes of customers. The form of rate proposed by the company does not meet with the approval of the Board for the following reason: If one customer should use 10,000 cubic feet for domestic purposes and another customer should use 10,000 cubic feet for industrial purposes in a month, it would appear fair and equitable to charge each customer identically the same price. There is no basis for a differentiation or a discrimination between the two. If, however, by reason of increased consumption, either customer will reduce the average cost to the company, it is a proper and reasonable basis for decreasing rates.

The form of rate which will be determined by the Board in this matter will, therefore, be a block rate applicable to all classes of metered customers. The total bill will be determined under such rate by the amount of gas consumed in each block, multiplied by the rate for such block, the sum of the amounts in each block constituting the total bills. In this way the benefit of the wholesale consumption will be taken care of automatically and there will be no discrimination between classes of customers for the reason that in each block every customer will pay the same rate.

The statistics of consumption submitted in the record have been analyzed and for the first eight months of 1918 it is estimated to be as follows:

	Cu. Ft.	Per Cent. of Total.
Customers using up to 10,000 cubic feet	15,424,300	90.25
In the next 10,000 cubic foot block	524,000	3.05
In the next 10,000 cubic foot block	271,000	1.60
In the next 10,000 cubic foot block	190,000	1.10
In excess of 40,000 cubic feet	684,700	4.00
Total consumption	17,094,000	100.00

To each of these blocks the following weight will be given:

First block	1.00
Second block	0.90
Third block	0.80
Fourth block	0.70
Fifth block	0.60

New Jersey Northern Gas Co.—Increased Rates—Further Hearing.

Applying these weights to the percentage, gives a *weighted average* of about 97.5%. As the actual total gas sales amount to 17,094,000, 97.5% of this is taken at 16,666,650 for the purpose of computing the rate.

The increases asked for by the company are great. The operating expenses are heavy. The company, in its application, seeks to impose relatively a greater amount of the increase on customers using less than 10,000 cubic feet. The Board considers that the necessary increases must be properly allocated and that the company must forego part of its return on capital at the same time the customer is required to pay larger amounts for his service.

In the former report of the Board, it was shown that there are \$256,500 bonds and \$75,000 stock outstanding against the property of this company. As a return for capital, the Board in this proceeding will allow 5½% on the face value of the bonds, which will provide for the annual interest of 5% and 0.5% for amortization of bond discount.

OPERATING EXPENSES.

In its petition, the company gave a table showing its operating expenses for the first seven months of 1916, 1917 and 1918. This was marked as Exhibit "A" in the petition and as Exhibit P-1 of this case. Subsequent to the hearing, on request of the Board's engineer, the company's income statement, including revenue and expenses, was submitted showing results of eight months' operation. This is tabulated in Table I.

The first two columns show the actual operating expenses which the company claims to have incurred, the amount being shown in the first column and the amount per thousand cubic feet sold on the weighted basis hereinabove shown being given in the second column. The deductions from the operating expenses made by the Board are shown similarly in columns three and four. The operating expenses, adjusted, and as taken for the basis of rates, are shown in the last two columns.

New Jersey Northern Gas Co.—Increased Rates—Further Hearing.

To the revenue deductions (i. e., the operating expenses and taxes) eight months' interest on \$256,500 bonds at $5\frac{1}{2}\%$ per annum is added, amounting to \$9,280. This gives the total required revenue of \$33,655 on the basis assumed. From this is deducted the merchandise sales as shown by the company of \$788, which leaves the revenue to be derived from gas sales. On December 31st, the company had 2,061 meters in service, from which eight months' revenue, or \$3,600, is estimated to be derived on the basis of the exhibit submitted. This leaves, on the adjusted basis, the amount of \$29,267 to be derived from the sale of gas. Dividing this by 16,770 cubic feet (weighted for the blocks assumed) gives a rate for gas of \$1.7452, which will be taken at \$1.75. Table I follows:

New Jersey Northern Gas Co.—Increased Rates—Further Hearing.

NEW JERSEY NORTHERN GAS COMPANY.
TABLE I.—SHOWING DERIVATION OF REVENUE FROM SALES OF GAS.

	As Shown by Company for First Eight Months of 1918.		Deducted by Board.		Adjusted Operating Expenses and Required Revenue.	
	Amount.	Per M. cu. ft. (Weighted.)	Amount.	Per M. cu. ft. (Weighted.)	Amount.	Per M. cu. ft. (Weighted.)
1. I. Production expenses	\$18,227	\$1.0930	\$963	\$0.0578	\$17,264	\$1.0358
2. II. Transmission and distribution	1,509	0.0905	....	.....	1,509	0.0905
3. III. Municipal street lighting	8	0.0005	8	0.0005	....	.....
4. IV. Commercial	701	0.0421	....	.....	701	0.0421
5. V. New business	15	0.0009	....	.....	15	0.0009
6. VI. General and miscellaneous	4,415	0.2649	1,000	0.0600	3,415	0.2049
7. Operating expenses	\$28,875	\$1.4925	\$1,971	\$0.1183	\$22,904	\$1.3742
8. Taxes	1,471	0.0883	....	.....	1,471	0.0883
9. Revenue deductions	\$26,346	\$1.5808	\$1,971	\$0.1183	\$24,375	\$1.4625
10. Eight months' interest on \$256,500 bonds at 5½ per cent. per annum	9,280	0.5568	....	.....	9,280	0.5568
11. Required revenue	\$35,626	\$2.1376	\$1,971	\$0.1183	\$33,655	\$2.0193
12. Less merchandise sales	788	0.0473	....	.....	788	0.0473
13. Revenue required from gas sales	\$34,838	\$2.0903	\$1,971	\$0.1183	\$32,867	\$1.9720
14. Eight months' revenue from 2,061 me- ters, service charge	3,710	0.2226	....	.....	3,710	0.2226
15. Revenue from sales of gas, base rate ...	\$31,128	\$1.8677	\$1,971	\$0.1183	\$29,157	\$1.7494
Gas sales, weighted for block rates	16,666,650 cubic feet.					
Gas sales, actual, 8 months	17,094,000 cubic feet.					

New Jersey Northern Gas Co.—Increased Rates—Further Hearing.

Adjustments in production expenses are arrived at as follows: The present prices for boiler and generator fuel and for oil are taken at the increased current price as shown in the exhibits and letter subsequently submitted. The pounds of coal used per thousand cubic feet of gas sold (weighted) are taken as indicated in the Board's report of December 19th, 1917. The use of coal, especially boiler fuel, during the last eight months has been excessive and has not been taken as indicative of efficient operation. The repairs and miscellaneous expenses are taken as normal at \$1,175 instead of \$2,461; the algebraic sum of the increases and decreases makes a reduction of \$965 for production expenses. Street lighting is entirely omitted in the adjusted expenses for the reason that no street lights are now connected. In general and miscellaneous expenses, the item of \$1,000 for general officers' salaries is omitted for the reason that it has never been charged before, and this does not appear to be a propitious time for imposing this charge on the consumers of this company, in view of the remaining very high charge per thousand cubic feet for general and miscellaneous expenses.

RATE FOR GAS USED.

The base rate of \$1.75 being multiplied by the factors hereinabove given, gives the following block rate:

For the first 10,000 cubic feet consumed per month	\$1.75 net.
For the next 10,000 cubic feet consumed per month	1.58 net.
For the next 10,000 cubic feet consumed per month	1.40 net.
For the next 10,000 cubic feet consumed per month	1.23 net.
For the excess over 40,000 cubic feet consumed per month	1.05 net.

No bill to be rendered at a lower average rate than \$1.40 per thousand cubic feet.

MONTHLY FIXED SERVICE CHARGE.

(Without any gas.)

The service charge will be on the basis of 25 cents per month for each connected customer served through a three or five-light meter. Customers served through larger meters will be charged

New Jersey Northern Gas Co.—Increased Rates—Further Hearing.

a monthly service charge of one cent per light capacity in excess of five-light. These fixed service charges include no gas.

The company's operating record for the last eight months shows that its cost of manufacturing and delivering gas is becoming so high that, under the law of diminishing returns, it is fast approaching the danger point in its operating history. It is difficult to see any successful future for this company unless lower manufacturing and distributing costs are effected. It is important and the Board will expect that the company will make every effort in this direction.

SERVICE.

Many complaints of inadequate service have been filed against the petitioner during the past year or two. The record shows that the facilities of the company are not entirely adequate to furnish good service. This will be the second increase in rates granted to the petitioner during the same period. In view of this the company cannot reasonably claim and the Board will not accept as an excuse for failure to supply adequate service that its revenue is insufficient.

The utility is charged with the duty of maintaining safe, adequate and proper service to its customers at all times. The Board recently said in a similar application made by the Ocean County Gas Company:

"The rates now allowed are calculated to produce an increase in revenue. They will be allowed to go into effect as emergency rates on the distinct understanding that they are predicated on continuously safe, adequate and proper service as contemplated in the statute. If the company does not take steps to install such additions as will make its plant adequate to meet the reasonable demands for service required by its customers, the Board will cancel the emergency rates herein and previously allowed, for the reason that adequate service should be a corollary to adequate rates."

This will apply to the New Jersey Northern Gas Company.

New Jersey Northern Gas Co.—Increased Rates—Further Hearing.

CONCLUSIONS.

The Board therefore finds and determines:

1. That the petition as filed should be dismissed.
2. That with respect to metered customers, the petitioner will need an increase in the annual revenue in addition to the allowances heretofore made by the Board in its report of December 19th, 1917.
3. That the following schedule of rates will provide for the further increased revenue required, viz.:
 - (a) All metered domestic customers may be charged a fixed monthly service charge of 25 cents a month, without gas, for all gas served through a three or five-light meter. For gas served through meters of larger size an additional charge of one cent per light capacity is to be charged.
 - (b) The rate for gas consumed may be \$1.75 net per thousand cubic feet.
4. These rates may be effective for sales made on and after the filing of same by the petitioner, subject to the following conditions:
5. Acceptance by the company of the increases herein allowed will be taken as a stipulation that abrogation or modification of the war surcharge may be made as and if conditions as indicated by operating results, both as to revenue and the character of service rendered, warrant.
6. Beginning at the effective date of said schedule of rates, the company is to render reports monthly to the Board showing the Operating Revenues, Operating Deductions excluding General Amortization, Non-Operating Income, Income Deductions and balance available for Amortization, Dividends and Surplus and amount appropriated for General Amortization for each succeeding calendar month, with comparison with the figures for the corresponding month of the preceding year; and the Board will retain jurisdiction of the emergency or war surcharge as herein approved, for the purpose of modifying or abrogating the same as and if the conditions change.

Dated December 23d, 1918.

In re Bridges—Northampton, Easton and Washington Traction Co.

No. 652.

IN THE MATTER OF HEARING ON REPORT OF INSPECTION OF
BRIDGES ON THE LINE OF THE NORTHAMPTON, EASTON AND
WASHINGTON TRACTION COMPANY.

An electric railway is ordered to place a standard deck of ties on a concrete bridge and to place inside guard rails on bridges exceeding thirty feet in length.

W. O. Hay, for the company.

Charles A. Mead, for the Board.

It appearing that a difference of opinion existed between the Chief Engineer of the Division of Bridges and Grade Crossings of the Board and the management of the Northampton, Easton and Washington Traction Company as to the necessity of doing certain work recommended by the Board's engineer, the matter was made the subject of a hearing, of which due notice was given to the company, and at which it was represented. The recommendations to which exception was taken called for the placing of inside guard rails on bridges Nos. 12, 21, 29, 43 and 51, and the placing of ties on bridge No. 51. At the hearing testimony was given by the Board's Chief Engineer of its Division of Bridges and Grade Crossings and also by Mr. Hay, who appeared for the company. Mr. Hay stated:

"I think all our big bridges are thoroughly well guarded.

"Q. With inside rails?

"A. With inside guard rails, oh, yes; they were put on in the original construction. The rest of them are small culverts and very small bridges that I do not think amount to anything. Of course, we are in the hands of the Commission to do what we are told to do, naturally. I feel all of them are safe."

Mr. Hay testified furthermore that the company had no old rails on hand which could be used for inside guard rails.

In re Bridges—Northampton, Easton and Washington Traction Co.

It appears that the bridges run from 33 feet 10 inches to 61 feet 2 inches in length. A general rule which the Board has approved calls for the placing of inside guard rails on bridges 30 feet long and over. We are of the opinion that bridges of the length under consideration would be safer if provided with inside guard rails. Even though the company has no old rails on hand, it would not appear to be a difficult matter to procure the same, nor would any great amount of work be required to place them. We do not understand that the company objects strongly to placing the inside guard rails upon the bridges, except that at the time of the hearing stress was laid upon the great difficulty of obtaining labor to do anything more than was absolutely necessary for the operation of the road.

With respect to bridge No. 51, this was described by Mr. Hay as a concrete structure with an open floor and a plan was referred to and admitted as Exhibit P-1. This plan shows the bridge without any protection for a car which may become derailed while crossing it. Mr. Hay expressed the opinion that the bridge was safe; that it is the desire of the company to get away from the use of wood; that the structure was therefore built of concrete, and that its construction was such that if the car jumped the track it would not be possible to have an accident. On the other hand testimony of the Board's engineer was to the effect that

“there is a curve in the track which leads up to the bridge. The conditions there are ripe for an accident in case of derailment, and therefore we ask that all reasonable precaution be taken to avoid such an accident, and the suggestion made in the report was, placing ties on this bridge where there are not ties now, the rails being simply clipped to concrete stringers, and the placing of guard timbers on the outside so as to prevent the ties from being bunched, and the placing of inside guard rails on the bridge so that a car in being derailed in the vicinity of the bridge, might pass over the bridge with reasonable safety.”

It does not appear that the company is indifferent to the importance of safe operation. There does appear to be an honest difference of opinion between the Board's Engineer of Bridges

In re Bridges—Northampton, Easton and Washington Traction Co.

and the management of the company as to precautions advisable to take against accident. Mr. Hay, the only witness who appeared for the company, stated that he is not an engineer.

It appears that the precautions recommended can be adopted at moderate cost to the company. It does not appear that the installation of the ties would tend in any way to interfere with the operation of the cars or that any heavy maintenance cost would be imposed upon the company. We are of the opinion that the advice of the Board's engineer should be adopted, the approaches to the bridge graded and that a standard deck of ties properly secured to the existing stringers and having proper guard timbers should be placed to bridge No. 51. Mr. Hay testified that it would not be a hardship in operation to limit the speed of cars over the bridge to six miles per hour.

The Board finds and determines for the Northampton, Easton and Washington Traction Company to afford safe, adequate and proper service over the bridges referred to herein, standard inside guard rails should be placed on bridges Nos. 12, 21, 29, 43 and 51; that a standard deck of ties should be placed on bridge No. 51, the same to be properly secured to the existing stringers and have proper guard timbers; that until the guard rails and ties are provided cars should not pass over the bridges at a higher rate of speed than six miles per hour. The work upon bridge No. 51 should be completed by May 1st, and the inside guard rails should be placed on all the bridges by July 1st, 1919.

An order will so issue.

Dated December 30th, 1918.

ORDER.

This matter having been duly heard and the Board having, on the date hereof, made and filed a report containing its findings of fact and conclusion thereon, which report, by reference thereto herein, is made part hereof,

The Board of Public Utility Commissioners HEREBY ORDERS AND DIRECTS the Northampton, Easton and Washington Traction Company to place a standard deck of ties on its bridge No. 51

Commonwealth Water Co.—Increased Rates.

and to do all work necessary in the matter of grading approaches thereto before the first day of May, 1919, and

FURTHER ORDERS AND DIRECTS that standard inside guard rails be placed on bridges Nos. 12, 21, 29, 43 and 51 before the first day of July, and that until the work ordered herein is completed no car shall be operated over any of the bridges referred to at a speed to exceed six miles per hour.

This order shall become effective January 22d, 1919.

Dated December 30th, 1918.

No. 653.

**IN THE MATTER OF THE APPLICATION OF THE COMMONWEALTH
WATER COMPANY FOR INCREASED RATES.**

Application is made by a water company serving a number of municipalities for approval of increased rates.

BASIS FOR RATES.

1. In considering whether the increase is just and reasonable it becomes necessary to determine the following:

- (a) What property is used and useful.
- (b) Value of such property as is found to be used and useful.
- (c) The amount necessary to appropriate annually for depreciation of such property.
- (d) Necessary operating expenses.
- (e) Taxes.
- (f) Return upon the value of the property found to be used and useful.
- (g) Gross annual revenue required.
- (h) Allocation of annual revenue to different classes of service and to various localities.

LAND—Policy in Acquiring. Use for Farming.

2. In considering the amount of land area required and the extent of development needed or possible at each reservation the following must be regarded: nature and location of water-bearing strata; storage capacity of water-bearing formations; area tributary to wells; velocity of underflow and rate of replenishment; nature and extent of development and the financial and economic relations both as to present and future development.

Commonwealth Water Co.—Increased Rates.

3. The communities served by the company are growing; the municipalities concede that the full capacity of the reservations will be utilized in about ten years. No charge is made that the lands were acquired at an exorbitant cost, and nowhere does it appear that the cost of the lands purchased is in excess of the value of the water rights acquired.

4. As a matter of state policy water utilities should be encouraged in acquiring lands sufficient to insure a safe and adequate supply of water for a reasonable period in the future; particularly where the supply is located in the midst of and used by growing communities.

5. The company uses part of the land acquired by it for farming. There does not seem to be any good reason why there should be allowed any investment for farming purposes, nor should there be calculated in the operating accounts expenses for maintenance of the farm. Only such amounts should be charged against farm accounts as will represent the additional cost for the use of the same by farm operations. No item of property or expense should be included in the water accounts which would not be incurred if the company did not conduct farming operations.

VALUES—Appraisals of.

6. Appraisals made for the purpose of capitalization should be more strictly related to actual costs than reproduction costs. In the determination of a proper rate base the fair value must be determined by the consideration of reproduction as well as original costs.

DEPRECIATION—Accrued—Annual.

7. An allowance of 10 per cent. on the value of all structures for accrued depreciation is made. An allowance is made of ~~15~~ per cent. for annual de-~~15~~preciation to be computed on the depreciable value and land.

DEVELOPMENT—COST.

8. Development cost is one element of intangible value. The company claims for organization expenses, franchise and other intangibles approximately \$244,000. Substantial justice will be done if \$104,000 is allowed.

WORKING CAPITAL—Consumers' Deposits.

9. In determining a fair rate base, it is necessary to make an allowance for a fair amount of working capital regardless of the source from which it is obtained. A total of \$40,000 should be allowed in this case. The consumers' deposits which the company may have on hand from time to time are not considered as it is required to pay interest on them and they cannot be considered as an offset to the capital the company must provide.

RATE OF RETURN.

10. The fair rate of return upon the value of the property found to be used and useful in normal times and under normal operating conditions is considered by all parties to the proceeding to be 7 per cent. This is allowed upon a base of \$1,738,500.

Commonwealth Water Co.—Increased Rates.

ALLOCATION OF CHARGES TO VARIOUS CLASSES OF SERVICE.

11. Having ascertained the value of the property as an entirety it becomes necessary to ascertain what part is devoted to each class of service. To determine the proper charge for the various classes of service it is necessary to determine the total costs pertaining to different parts of the system used, such as reservoirs, transmission and distribution mains, services, meters, etc.

HYDRANTS—Fire Service.

12. An allowance of \$6.00 is made as a fixed charge per annum for 4-inch hydrants installed as of September 30th, 1917. For 4-inch hydrants installed since September 30th, 1917, \$8.00 is allowed, this being due to the increased cost of labor and material. The charge is based on the average estimated costs of hydrants on normal pre-war conditions with allowances for depreciation, taxes, maintenance and return on capital. The balance of the charge for furnishing fire service is apportioned among the municipalities on the basis of an inch-foot charge determined from the length and size of mains which are considered as serving these municipalities with fire service.

FIXED SERVICE CHARGE.

13. The fixed service charge includes no water. Water must be paid for at proportional rates, the fixed service charge including two elements only of the total costs of service, viz.: a proportion of the demand, capacity or readiness to serve costs, and the service or customer costs.

PROPORTIONAL CHARGES FOR METERED WATER.

14. The total amount to be charged to this class of service is the difference between the total revenue required and the amount allocated to other classes of service. Consumers are divided into domestic, intermediate manufacturing and special and rates are fixed for each class.

RATES BASED ON AVERAGES.

15. The permanent rates determined are based on averages both with respect to the operating expenses and return on capital. The operating expenses have been based on the average costs as they existed in 1915 and 1916 and the return on capital has been computed at the rate of 7 per cent. on the depreciated value of the property. Changing conditions from year to year may result in a rate of return higher than the average in some years and lower in other years. The Board cannot be expected to adjust rates to meet these changing conditions every year. During the present abnormal times emergencies may arise which may make it necessary to adjust rates at more frequent intervals. A surcharge should not be imposed upon the normal rate unless the return on capital should fall below a minimum of 6 per cent.

Commonwealth Water Co.—Increased Rates.

Adrian Riker and William M. Wherry, Jr., for the petitioner.

Edward G. Pringle, for Summit; *W. Eugene Turton*, for Irvington; *Borden D. Whiting*, for West Orange; *Simeon H. Rollinson*, for West Orange; *Samuel D. Williams*, for South Orange Township; *William Byrd*, for Millburn, for the respondents.

L. Edward Herrmann, for the Board.

On November 16th, 1917, the Commonwealth Water Company submitted a new schedule of rates to become effective January 1st, 1918, or at such other date as should be approved by this Board. This new schedule was accompanied by a petition alleging that the company had been required to make very large capital expenditures for facilities, the character of which would not yield any considerable increase in its income; that this Board, by its order of February 13th, 1917, placed upon the company the burden of large additional capital investments; that said order in its operation affected the revenues of the petitioner, and that this, together with the increased operating costs due to war conditions, makes the return on the property used and useful inadequate.

It was further alleged that the existing schedule of rates is unjust, unreasonable and inadequate.

The schedule of rates (somewhat condensed), approval of which is sought, is as follows:

District No. 1: The entire area supplied by the company in New Providence, Summit, Millburn, Springfield, South Orange Township, Irvington and West Orange, except that portion of West Orange supplied through the High Service.

District No. 2: All that portion of West Orange included in the "High Service," to be supplied from a level approximately 675 feet above tide and which lies north and west of a contour on the easterly slope of the First Mountain, about 290 feet above tide.

A. Each municipality shall pay for each year, beginning January 1st, 1918, an annual inch-foot charge equal to 60/100 of a cent per inch diameter, per foot length of distribution and transmission mains serving said municipalities on the first day of November prior thereto.

Commonwealth Water Co.—Increased Rates.

B. *Hydrants*—Each municipality shall pay a hydrant charge of \$7.50 per annum for each public hydrant and pro rata for fractions of a year.

C. *Charge for Street Sprinkling.*

D. *Sewer or Street Flushing.*

E. *Public Buildings and Public Uses.* not otherwise provided for in the schedule to be paid for at the same rate as by private consumers.

PRIVATE CHARGES, APPLICABLE TO DISTRICTS 1 AND 2.

Under ordinary conditions all water sold to regular continuous consumers shall be by meter measurement. Where for any reason the installation of a meter is impracticable, a flat rate, based upon the best available information as to quantity to be used, will be assessed and covered by a special agreement for each case, preferably in advance of the service.

I. **FIXED SERVICE CHARGES** are uniform in both districts including no water.

(A) Private fire service will be metered in all cases at the curb or street line or other suitable place. The charges for private fire service will be the same as in the following paragraphs: (B) and II.

(B) For *domestic connections* and for *manufacturing purposes, public buildings* and other similar uses:

A fixed charge will be made to each customer based upon the size of the meter used as follows:

½ or ⅝-inch	\$1.00 per quarter.
¾-inch	1.75 per quarter.
1-inch	3.50 per quarter.
1½-inch	9.00 per quarter.
2-inch	12.00 per quarter.
3-inch	29.00 per quarter.
4-inch	42.00 per quarter.
6-inch	79.00 per quarter.
8-inch	127.00 per quarter.

Payable quarterly on the first days of April, July, October and January. *Fixed* service charges shall be applied to each meter.

II. **CONSUMPTION CHARGES**, not uniform in both districts.

In addition to the fixed service charge set forth above, all water supplied through meter or by quantity, estimated or otherwise ascertained, shall be charged to each customer and shall be payable on the first days of April, July, October and January of each year, in accordance with the following sliding schedule of rates in each of said districts:

Commonwealth Water Co.—Increased Rates.

District I.

For the first 50,000 cubic feet in the year, \$1.875 per 1,000 cubic feet.

For the excess over 50,000 cubic feet and inclusive of 400,000 cubic feet in the year, \$1.60 per 1,000 cubic feet.

For the excess over 400,000 cubic feet and inclusive of 1,000,000 cubic feet in the year, \$1.20 per 1,000 cubic feet.

For the excess over 1,000,000 cubic feet in the year, \$0.75 per 1,000 cubic feet.

District II.

For the first 50,000 cubic feet in the year, \$2.25 per 1,000 cubic feet.

For the excess over 50,000 cubic feet and inclusive of 400,000 cubic feet in the year, \$1.80 per 1,000 cubic feet.

For the excess over 400,000 cubic feet in the year, \$1.40 per 1,000 cubic feet.

III. TEMPORARY FLAT RATE or FIXTURE CHARGES.

Owing to the considerable number of flat rate or fixture charge consumers at present existing on the Commonwealth Water Company's system it will be impracticable to change over all of such customers to a metered basis immediately upon the approval of a new schedule of rates.

Accordingly all flat or fixture rate service in operation January 1st, 1918, may, at the option of the company, remain in service as such and at rates now prevailing therefor, until the company is able to install proper meters on such services at which time all such services shall come under the foregoing schedule of rates for water service. See Private Charges, I. and II.

Twenty-eight hearings on the petition were held, beginning December 5th, 1917, and ending June 19th, 1918.

On March 6th, 1918, while the proceedings were pending, the company filed a supplemental petition requesting that it be allowed to charge a fixed charge based upon the size of meter required to furnish the service for each consumer, in order to provide an emergency increase in its rates, so as to meet the costs due to war conditions, which had become greater than when the original petition was filed. In lieu of this fixed charge, it asked for, as an alternative, a horizontal increase of 25% in the existing schedule of rates. The Board declined to fix an emergency rate under the circumstances and proceeded with the matter of determining the reasonableness of the proposed new schedule of rates. The existing rates of the petitioner vary throughout a number of municipalities, and are on a different basis from those above set forth.

Commonwealth Water Co.—Increased Rates.

Opposition to the proposed schedule of rates appeared. As a value of its property the company used almost exclusively a valuation made by the Board's engineers in 1915, for use in the matter of reorganizing and consolidation of the underlying companies into the present company. The principal contention of the municipalities was that all of the property included in the appraisal is not used and useful. The company then employed an engineer to make an independent inventory of its property. Engineers were also employed by the municipalities.

CORPORATE AND FINANCIAL HISTORY OF THE COMPANY.

The original Commonwealth Water Company was incorporated May 15th, 1889.

The West Orange Water Company was incorporated on October 25th, 1892, and the Irvington Water Company on February 23d, 1893.

The latter company was one of the predecessors of the Clinton Water Company. These three companies, the Commonwealth Water Company, West Orange and Clinton Water Companies, are the principal companies which consolidated into the present company in the year 1915. During the intervening period a number of reorganizations of small companies were made and a number of smaller companies were absorbed by the interests controlling these three main companies. The various reorganizations necessitated considerable rearrangement of finances. The resulting capitalization of the consolidating corporation as of September 30th, 1917, is as follows:

Funded debt	\$865,000
Capital stock	830,000
<hr/>	
Total securities issued and outstanding	\$1,695,000

Commonwealth Water Co.—Increased Rates.

DESCRIPTION OF PLANT, SYSTEM AND COMMUNITIES SERVED.

There are two sources of supply and two pumping stations. One is located in the Baltusrol Valley, formerly known as Green Brook Valley, which drains finally into the Raritan River; the other is located in the valley of the Canoe Brook, which is a tributary of the Passaic River. The difference in elevation between these two valleys is about 110 feet. In the Baltusrol Valley plant the supply is secured from a number of shallow gravel wells by means of direct suction, and from a number of deep rock wells by means of an air lift. The gravel supply is alleged to be comparatively limited in extent. These wells are from 22 to 25 feet deep. The capacity of the deep rock wells cannot be accurately estimated or determined. These wells are between 200 and 300 feet deep. The shallow wells are interconnected by various conduits and infiltration galleries so as to permit the water to flow by gravity into a collecting well located near the pumping station. Water from the rock wells is brought to the surface by means of an air lift in each well, and then flows by gravity to the same collecting well into which the wells fed by the gravel supply discharge. The total output in 1917 from this supply was about 1,000,000 gallons per day.

From the Canoe Brook shed a supply is obtained from a number of driven wells all operated by air lifts. The mean elevation of the surface of these wells is 170 feet. There are two main strata of water, one approximately 80 feet below the surface, and the other 135 to 140 feet. These two strata are separated by a heavy bed of very close clay.

Some of these wells are so constructed that they draw water from both strata, while other wells are located in pairs, one going into the upper stratum, the other to the lower one. Some of the wells, both at the Canoe Brook and Baltusrol Valleys, are not in use at the present time.

The City of Summit and Borough of New Providence are supplied practically from the Baltusrol Valley reservation. From the Canoe Brook reservation large parts of Millburn Township,

Commonwealth Water Co.—Increased Rates.

South Orange and Town of Irvington are supplied. The distributing system in the Township of West Orange is also owned by the company, and water is bought by wholesale from the Montclair Water Company, which operates the plant of the East Jersey Water Company at Little Falls, the water being taken from the Passaic River. The company also finds it necessary to purchase a small supply from the City of Newark Water Department for the purpose of supplying a few streets in Irvington which are not yet opened in such a way as to connect with the company's mains located in that township. It also finds it necessary to purchase some water from the Short Hills Water Company in order to supply a few localities in Millburn Township where the elevation is too high to be supplied from Canoe Brook.

A much larger supply of water than is at present secured can be secured from the Canoe Brook reservation, and the capacity of both reservations of the company will be sufficient to supply the water which it is probable that its consumers will need during the next ten years.

The accompanying map shows the location of the company's plant, and the principal transmission mains to the various localities served.

The total acreage of land claimed to be owned by the company in the Baltusrol Valley is 491.58, and the number of acres of land in the Canoe Brook shed is 653.08. In the Baltusrol Valley 270.3 acres were purchased prior to 1915, and the balance has been added since. In the Canoe Brook shed all of the land was acquired prior to 1915. Except in a few minor instances, there does not seem to have been any attempt made to acquire the water rights independently of the land. Tracts of land and the water rights therewith were purchased. The areas in both sheds were acquired in this manner.

BASIS FOR RATES.

In considering whether a proposed schedule of rates is just and reasonable, it becomes necessary to determine the following:

- (a) What property is used and useful.
- (b) Value of such property as is found to be used and useful.

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- (c) The amount necessary to appropriate annually for depreciation of such property.
- (d) Necessary operating expenses.
- (e) Taxes.
- (f) Return upon the value of the property found to be used and useful.
- (g) Gross annual revenue required.
- (h) Allocation of annual revenue to different classes of service and to various localities.

PROPERTY USED AND USEFUL.

The municipalities contend that the following items of property are not necessary:

- (1) Land at both Baltusrol and Canoe Brook reservations in excess of that required to maintain the supply of water.
- (2) Buildings and improvements upon both reservations used by the company for farming purposes.
- (3) Wells abandoned or wells held for future use not presently useful and certain conduits connected with these wells.
- (4) The Millburn Booster Station and equipment.
- (5) Certain buildings and equipment at Baltusrol Valley Station.
- (6) West Orange reservoir site and masonry reservoir near Baltusrol reservation.

LAND.

In considering the amount of land area required, and the extent of development needed or possible at each of these reservations, a serious problem presents itself. Many factors must be taken into consideration, particularly where the water supply is an underground development. These matters must be given consideration: the location of the water-bearing strata; the storage capacity; the area tributary to wells; the rate of replenishment; the natural supply; the financial aspect; the rate of development; and, lastly, the present and future requirements.

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development. To properly discuss all of the above points as they are related to the developments at the two reservations would require more or less of a treatise on the subject. Much testimony was offered both by the company and the respondent witnesses as to these matters.

The questions involved present novel aspects. It is always difficult to know just what land should be held by a water company using a subterranean supply. The depth and nature of the strata must necessarily be known. The capacity of the supply and the rate of replenishment are hardly capable of accurate ascertainment. The importance of the geological formation and the geological history cannot be too strongly emphasized for consideration.

It is admitted by all of the parties to the proceeding that in developing the water supply system good judgment was used by those in charge. Rather than procuring by purchase or otherwise the water rights alone, the land was purchased, and such purchase carried with it the water rights. Whether the water rights could have been acquired for less than was paid for the land has not been affirmatively shown, but it seems to be the consensus of opinion of a number of the witnesses produced that it would probably have cost more to acquire the water rights than to acquire the land with the water rights.

On the part of the company the consulting engineer of the State Board of Conservation and Development, which board is the successor of the former State Geological Survey, offered testimony. He had been ten years in charge of the State Geological Survey, completing this work in 1888, since which time he has been the consulting engineer of this State Department. He had made a special examination of the water resources of the State, both as to the surface supply and well supply between the years 1890 and 1896, and had made a special examination of the Baltusrol wells in 1898. He had also designed and constructed the water works for the City of East Orange, developing a supply from the properties immediately adjoining the Canoe Brook property to the north. The geological history of the Canoe Brook reservation, as testified to by him, is as follows:

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“The Canoe Brook wells lie in some water-bearing gravels which are at the outlet of the ancient Passaic Valley. The Passaic Valley in glacial times was changed entirely by the deposit of a vast amount of drift gravels in the gap on Second Mountain, which was the original outlet of Passaic Valley, and the valley was then forced back, the water was forced back until it went out eventually over the present outlet at Little Falls. It had a number of outlets from time to time, but eventually it came to the outlet at Little Falls, where it now is. The rock in the neighborhood of the Canoe Brook wells is actually more than one hundred feet lower in elevation than the rock over which the river now flows at Little Falls, this being considered conclusive proof, in connection with other geological data, that the facts are as I have stated, the original outlet was near these wells. The bearings which I have made and which I have examined in that locality, indicate very clearly that the ancient channel of the Passaic River ran from these wells through by Short Hills and the present Hummocks of the Elizabethtown Water Company, and so direct to the Kill von Kull, which is a part of the old river channel. The borings above, to the west and north of the Canoe Brook wells, indicate that at that point there were several branches which came in, one was the ancient valley of Canoe Brook, coming down through where the East Orange wells now are and joining the main outlet a little to the east of the present Canoe Brook wells. There was another channel running from Morristown, the former channel of the Whippany River, somewhere near the Madison wells, and so on east across the Canoe Brook property to about the position of the pumping station. And still another channel of the valley of the upper Passaic which came from Chatham, down to about the location of the pumping station, or a little west of that. These old valleys are very important, because they mark the location of the probably water-bearing gravels. You will not invariably find, but you are very likely to find, water-bearing gravels along these older lines, and that condition is largely

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accountable for the marked success of the Canoe Brook wells and other wells located near these channels.”

With reference to the Baltusrol Valley reservation, the main controversy of the municipalities is that the water from the Glenside Lake, which is included therein, does not materially augment the supply of water in the shallow wells; that therefore the land covered by this lake, and the slopes leading down to the lake are neither used by or useful to the company. They urge as a reason that the bottom of the lake is underlaid with a clay of an impervious nature, and that even though there were no intervening clay stratum the bottom of the lake itself has become so silted as to be practically impervious. The clay stratum alleged to exist in the present case has been the subject-matter of litigation in our courts. *Harper, Hollingsworth & Darby Co. vs. The Mountain Water Company et al.*, 65 N. J. Eq., p. 479.

This action grew out of a suit at law between the parties in which it was found that “the alleged impervious bed of clay did not exist.” While the stratum of clay involved in this case did not involve the location of the bed of the lake, it is probable that it is the same stratum and would tend to corroborate the contention of the company that the impervious bed of clay complained of does not exist. As to the contention of the municipalities with reference to the silting of the bed of the lake, the following appeared in the report of the State Geologist for the year 1898, page 167, and is illuminating:

“Another fact which must be taken into account in considering the amount of water available to feed a well, is that if any streams, lakes or ponds come within the circle or influence of a well, or within the area from which rainfall would percolate to the well, the water of these will usually be drawn into the well also. It is sometimes claimed that streams have a tendency to silt up their channels in such a way as to make them impervious to water, but I have not usually found this to be true, even with our muddy red sandstone streams. If any of these streams are dammed and diverted, so that no water passes the dam, it will be found that, below the dam, the water soon gathers up into a stream of some volume, showing that there

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are many springs, or there is much seepage water coming into the bed of the stream.

“Again I have gauged streams at points some miles apart and found much greater gain in volume than could be accounted for by the intervening tributaries, also showing the incoming of seepage water. This is always to be expected, as the stream channel is the natural outlet for ground water along its course. Of course, where water is continually coming into a stream through the sides and bottom of its channel, there can be no such thing as a formation of a water-tight lining of silt, and, if the opportunity is offered, the water will go out where it came in. Instances may occur where, for a limited distance, a stream passes over a clay bed which is practically water-tight, but these are to be regarded as exceptional cases. The Morris Canal is now 65 years old, and percolation still goes on, as we have noted. The same is true of the Delaware and Raritan Canal and of Italian canals more than one hundred years old, so that it is at least a reasonable expectation that, if a well has extracted the ground water from beneath the bed of a stream the water of the stream will follow this ground water into the well.”

Testimony was also offered by the company showing that the Baltusrol shed, extending for some distance underneath the lake, is of gravel formation. It would be fair to conclude from all of the testimony that there is no merit in the contention of the municipalities, but that on the contrary, the water in Glenside Lake augments the supply of water in the shallow wells, which are some 20 to 30 feet below the level of the lake.

No one questions that the communities served by the company are growing; the municipalities concede that the full capacity of both reservations will be required to be utilized in about ten years. No charge has been made that the lands were acquired at an exorbitant cost, and nowhere does it appear that the cost of lands purchased is in excess of the value of the water rights acquired. The amount of water which can be obtained is problematical, and cannot be ascertained with mathematical certainty.

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The surface area tributary to this underground supply is not definitely known, and hence the amount of rain which is the source of all underground water falling upon it cannot be determined definitely.

Under these circumstances, we are unwilling to conclude that any of the land owned by the company is not used and useful.

As a matter of State policy, we believe water utilities should be encouraged in acquiring lands sufficient to insure a safe and adequate supply of water for a reasonable period in the future, particularly where the supply is located in the midst of and used by growing communities. This policy will enure to the public good and will avoid a repetition of what has been the experience of many water companies in ultimately finding their supply for the future insufficient to meet the needs of the communities served.

FARM OPERATIONS.

When the property was acquired by the company there were located thereon some farm buildings. The officials of the company undertook to continue and extend the use of part of the land acquired for farming purposes, alleging that in their opinion this industry would provide a means to carry a large amount of the land which they believed necessary for them to hold, and thus increase the amount of total revenue which the company might receive; it also provided a means of keeping the teams and labor usefully employed when not employed for water company purposes, thereby enabling the company to give steady employment to such men as were found to be employed intermittently. This has not resulted in any profit to the company.

In estimating the value of the property used and useful the engineers of both the company and the municipalities omitted farm improvements, and in the consideration of operating expenses omitted farm operations. Because of the fact that the company has been conducting these farm operations, those facilities which were afforded for water purposes have been freely used, so that it is incapable of accurate ascertainment just what

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was the actual loss occasioned by the farming operations. There does not seem to be any good reason why there should be allowed in the base any investment for farming purposes, nor should there be calculated in the operating accounts expenses for maintenance of the farm. In the future operations it would seem to be desirable that all facilities which are utilized by the water department should be charged to the water account, both as to capital and operating expenses, and only such amounts should be charged against farm accounts as will represent the additional cost for the use of the same by farm operations. This would include the necessary operating expense, maintenance, depreciation, accounting and other general expenses by reason of their additional use for farm purposes, but should include no capital charge, provided that these facilities were *furnished to no greater extent than the necessity of the water operations required*. No item of property or expense should be included in the water accounts which could not be incurred if the company did not conduct farming operations.

The company has not heretofore kept its accounts in this manner and sufficient information is not at hand to determine precisely what value should be included in the rate base for property now recognized as farm property under the rule indicated above. A list is given below of the structures which should at the present time be included in the rate base, and an adjustment is made in the company's operating expenses to provide for the estimated reasonable cost of such services as are rendered by the farm in connection with water operations.

The net cost of these items listed at Canoe Brook amounts to \$10,816, and includes two roadways (A and C), bridges, culverts, piers, and other items in connection therewith, dam and pond, blacksmith shop, wagon sheds, stone crusher, and forges. The structures allowed at Baltusrol Valley, Acct. 106, include bridge from well 11 to 15, pipe culvert, wagon shed, roads, toilets, tenant house and engineer's house, amounting to a net cost of \$10,780. In a former appraisal of the properties of the company for the purposes of capitalization, made in the year 1915, all of these improvements were included, excepting \$15,000 for structures and improvements not listed in detail but included in the amount

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given for the value of the land. This is less than 50% of the amount at which the land was included in said appraisal in excess of the bare cost of the land. The balance is assumed to represent improvements made for farm purposes, cost of service, etc. This results in the exclusion of property shown on the company's books and listed in the appraisal of 1915, totaling about \$72,083 for farm improvements, and \$5,609, representing a mathematical error. The sum of these excluded items is \$77,692 not used and useful for water purposes.

Both of these figures represent undepreciated net cost, without overheads; considering the accrued depreciation in property used and useful in water operation, as determined in this case and as of September 30th, 1917, it would appear that a considerable amount of depreciation reserve on the company's books may be considered as applying to this property, so that the depreciated value of the same is less than indicated by these figures. The improvements included in the rate base, as shown above, differ slightly from those estimated by the engineers for the company and for the municipalities, but in either case the difference is not a matter of great moment.

SPRINGS AND WELLS.

The municipalities maintain that certain wells listed on Exhibit R-14 should be excluded from the rate base. These wells are claimed to be either abandoned or held for future use; they also maintain that the conduits connecting these wells should be excluded. The weight of evidence would rather indicate, however, that they should be included rather than excluded. It is not claimed that any of the wells are not producing water, nor is it denied that the demand upon the company for an increased supply of water will continue.

In our opinion, all of the wells, if not necessary at present, will be, in order to develop within a reasonable period of time the supply water for the company's customers, whether West Orange is supplied from these wells or not.

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MILLBURN BOOSTER STATION AND EQUIPMENT.

The Millburn Booster Station and Equipment is considered as abandoned property, and is so treated by the Board in arriving at a proper rate base. The two-million-gallon pump formerly located at Millburn has been included by all the parties as a part of the Canoe Brook pumping station equipment, where it has recently (during 1918) been installed.

BUILDINGS AND EQUIPMENT AT BALTUSROL STATION.

The equipment which is maintained for the operation of the wells and springs alleged by the municipalities to be abandoned or not necessary for immediate use is small in amount, between two and three thousand dollars. Without this equipment no immediate use could be made of the wells not now in use at Baltusrol, and there is doubt as to the advisability of keeping this equipment in storage for possible future use. If the method of operating these wells is to be changed, it would require the installation of additional capital by the company, which would probably be as great, if not greater, than the amount included for the pumps and buildings which it is contended should be excluded. Our reasoning as to the exclusion of the wells and springs complained of by the municipalities applies to the equipment appurtenant thereto.

WEST ORANGE RESERVOIR SITE AND MASONRY RESERVOIR NEAR
BALTUSROL RESERVATION.

The municipalities contend that the West Orange reservoir site is for future use and that the Baltusrol masonry reservoir is abandoned. The West Orange reservoir site was excluded by the engineer for the municipalities in his appraisal for the same reason that he excluded the wells in Canoe Brook reservation, on the theory that the site can only be used by the company when West

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Orange is supplied from Canoe Brook. Further claim is made that including all of the land in excess of the amount required for placing a small booster station cannot be justified. The engineer for the company testified that this booster station is needed whether a reservoir is built or not, and that the location of the site is advantageous for reservoir purposes; that in the development of the plans which he understood were tentatively agreed to by the West Orange authorities this reservoir was laid out, and that these plans include the laying of a sixteen-inch main from Wyoming Reservoir to the location in question. The standpipe now in use is located on Prospect Avenue, at the corner of Mt. Pleasant Avenue, and is fed by a circuitous route, rendering it of very doubtful benefit in case of fire.

The Booster Station is needed to supplement the pressures maintained by the Montclair Water Company, which supplies West Orange through three lines of pipe. The necessity for the construction of a reservoir of sufficient size and at a suitable location to fulfill the requirements of West Orange is independent of the source of supply, whether from Montclair or from the petitioner's stations. It is our opinion that the West Orange reservoir site is properly included in the appraisal.

With reference to the Baltusrol masonry reservoir, the municipalities claim that it is not used and useful and that it was not shown that it could be used; that the reservoir is too small and too far away to justify the large expense which would be necessary, even if its elevation were satisfactory, which they claim that it is not. This reservoir is at an elevation of 425 feet above tide and has a capacity of 250,000 gallons and is designed to be fed from the nearby Baltusrol standpipe through a pressure regulator. It was used prior to 1916, when the company entered into a new contract with the City of Summit, which made it necessary to lay an additional main or put this reservoir out of service so that two supply lines might be maintained from the more elevated Baltusrol standpipe into Summit. This reservoir can and will again be placed in use to feed the low service district in East Summit in the same manner as used prior to 1916, as soon as this additional main from the standpipe into Summit is laid.

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As to the desirability of this reservoir being maintained there can be no question, as it is a well-known fact that fire protection can only be afforded when water is available in sufficient volume and pressure. The so-called Wyoming reservoir is about twice the distance from East Summit as the Green Brook masonry reservoir is. The benefit of the Green Brook reservoir for fire protection of the more westerly located property is apparent. The main required to release this reservoir should be laid as soon as possible.

As to the contention of the municipalities with respect to all of these items, namely, land, wells, reservoirs and other property which, as is claimed by the municipalities, have been provided in excess of the requirements for, and not now used in rendering service, the Board does not feel that the policy of the company in making what it considers reasonable provision for the future needs of the communities depending upon it for water supply should be condemned, nor that any penalties should be imposed such as would necessarily result by the exclusion of these items in the determination of a rate base, without reasonably conclusive proof that the facilities provided are in excess of the prospective needs of the company within a reasonable period of time. The evidence does not warrant this conclusion.

VALUE OF PROPERTY USED AND USEFUL FOR WATER PURPOSES.**(1) Net Cost of Reservations, Acct. 106.**

The witnesses for the company testified that the reasonable value for all of the land owned in both reservations was \$175 per acre. This was based largely on the knowledge of the witnesses of local conditions in this territory. The engineer employed by the company for a number of years last past has been a member of the Water Board of the City of East Orange and is conversant with the development of the reservations of the East Orange Water Department. The value of \$175 per acre is less than the City of East Orange was obliged to expend to secure the lands held by it for the purposes of a water supply.

The engineer for the municipalities did not attempt to put any value upon the land based on his own individual knowledge and

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disclaimed any qualifications as an expert on the value of land in this particular locality. He accepts the value of \$175 per acre for such land as he considered necessary for water purposes. He urges that the company dispose of such land as he believed to be in excess of the amount of land necessary and used and useful for water purposes, but that in disposing of such land the company should retain the water rights. Yet he failed to place a separate value upon the water rights proposed to be retained and no evidence was submitted by the respondents as to their value. The representative of the State Department of Conservation and Development, produced as a witness by the company, gave testimony as to the value of the water supplies on the basis of what it would cost to obtain a similar supply from the Passaic River. His value is \$397,000 for the Canoe Brook supply and \$179,580 for the Baltusrol supply. These figures were based on an average consumption of water for the years 1917 to 1927, the difference in cost between the two supplies being capitalized at 5% to reach his total. In estimating a value for the Canoe Brook reservation as land only, without consideration of the water supply, he reached a total value of \$150,000, or approximately \$230 per acre.

The engineer for the municipalities criticised this method of obtaining value, and undertook to show that he had not made a correct comparison. Manifestly, all of the cost of each supply must be taken into consideration if a definite conclusion is to be reached as to value on this basis, and as all of the elements were admittedly not taken into consideration in the estimate, we are unable to conclude, on the basis of the record, whether this method of comparison would lead to the figure obtained by the engineer presenting it. The president of the company gave it as his opinion that the average value of the Baltusrol Valley land was \$200 per acre. In support of this he testified as to a recent purchase of a tract of about twenty-five acres at the head of the valley, and the company had paid about \$300 an acre for the same. The original cost for land in the Baltusrol Valley was calculated to be \$85 per acre, and for land in the Canoe Brook reservation \$99 per acre. It was ascertained that the latest purchases in the Baltusrol reservation approximated \$125 and \$150 per acre, respectively, while the latest purchase in the Canoe Brook reservation was \$200

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per acre. The value accepted for land considered used and useful by the engineer for the municipalities was \$175 per acre. From all of the testimony and facts introduced in the case, as indicated above, we allow for the value of land as follows:

BALTUSROL VALLEY.

The total acreage, as indicated in the various exhibits in this case amounts to 270.3, purchased prior to 1915, plus the Feltville purchase, 174.15 (corrected to 168.05), and the Lum purchase, 53.23, a total acreage of 491.58, for water purposes. We allow for this acreage, excepting such improvements as may have been made thereon for water works purposes, an average of \$175 per acre, or a total of \$86,027. As hereinbefore stated, we allow for improvements for water works purposes in Baltusrol Valley a total net cost of \$10,780, this to be in addition to the value we allow for land used and useful for water purposes.

CANOE BROOK.

As to the quantity of land at Canoe Brook, we allow for this reservation a total of 653.08 acres for water supply purposes at \$175 per acre; this will aggregate \$114,289 and, as hereinbefore stated, we allow for improvements on this reservation a total net cost of \$10,816, which is in addition to the value we find for the land.

(2) Net Cost Allowed for Other Tangible Property.

A summary of the value allowed for all property used and useful is given in Table I appended to this report. This table includes the value of land in reservations, as above indicated. The other accounts will now be taken up in the same order as given in said table.

ACCT. 105, WATER RIGHTS.

Water rights, as such, have not been separately appraised, except as herein indicated. The method of acquiring the water rights was by the purchase of the land for which allowance has

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been made as above. The allowance of \$10,000 covers actual expenditures for damages paid, legal fees and other items aggregating over \$10,000. This amount includes nothing for the services of the company's officials in defending damage suits or making settlements, and no overhead charge to cover these items is added, no specific claim for the same having been made by the company. These water rights cover certain rights in the Baltusrol Valley and were included in connection with damage suits which have been heretofore mentioned. They do not include any water rights acquired from the Feltville Water Company, in addition to those included with the land itself, nor any water rights acquired from the Watchung Water Company. The amount is accepted by all of the engineers appearing in the case, including the engineer for the Board, in their respective appraisals.

ACCT. 109, SPRINGS AND WELLS.

ACCT. 110, INFILTRATION GALLERIES.

ACCT. 111, COLLECTING CONDUITS.

ACCT. 121, PUMPING STATIONS.

ACCT. 122, PUMPING STATION EQUIPMENT.

ACCT. 124, ELECTRIC PUMPING EQUIPMENT.

ACCT. 126, MISCELLANEOUS PUMPING EQUIPMENT.

ACCT. 128, RESERVOIR AND STANDPIPE.

The amounts allowed for the various items covered in these accounts in the appraisals produced are not materially different for the same items. The principal difference therein is due to the inclusion or exclusion of the items of property not considered used or useful by the respective appraisers.

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ACCT. 129, DISTRIBUTION MAINS AND ACCESSORIES.

A variance between the appraisals of the company, the municipalities and the Board is present in this account. In the appraisal made by the engineer for the Board, for the purposes of capitalization, heretofore referred to, an error was made with respect to the length of the Irvington mains, which, on the basis of the price used, requires a reduction of \$11,280 from the net cost. Subsequent investigation also shows that the actual original cost of the cast iron pipe in the company's system is somewhat more than the value allowed in this appraisal.

There was allowed an average price of about \$23.90 per ton. During the years 1912, 1913, 1914 and 1915 the cost of cast iron pipe was low, and the trend of prices has undoubtedly been toward a higher level during all of the intervening period up to the present time. We have allowed higher prices in the appraisals for other water companies since 1915. We are satisfied from all of the testimony, the history of the company, and the trend of prices, that a fair allowance for cast iron pipe would be \$25.50 per ton.

The total average tonnage of pipe installed prior to January 1st, 1915, computed by the engineer for the municipalities, is 13,899 tons, based upon the weight of Class B pipe; as computed by the Board's engineer, after making deductions for pipe withdrawn between December 31st, 1914, and December 31st, 1917, and after making a deduction for the excess pipe included in Irvington, it is 13,950 tons, divided as follows: 8,195 tons in the Summit division, 2,982 tons in the West Orange division, and 2,773 tons in the Irvington division. The weights used by the Board's engineer were based on the actual average weights as computed from the bills of the company for the pipe purchased in the years immediately preceding 1915. The total weight as allowed by the engineer for the company appears to be close to 14,000 tons. It is not practicable to determine exactly the average weight of all the pipe in the company's system, but inasmuch as the weights used by the Board's engineer were determined in the manner indicated, and as they correspond closely with the

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total tonnage as computed both by the engineer for the company and the engineer for the municipalities, they will be adopted as fair.

COST OF LABOR.

The greatest difference in the three appraisals appears to be in the amounts allowed for labor. The engineer for the municipalities estimated the cost of labor on all work excepting the Irvington plant to be about \$17,000 less than that allowed by the Board's engineer. The estimate of the engineer for the company was about \$38,000 higher, excluding Irvington. The municipalities' engineer estimated a total of about \$39,000 less than the amount allowed by the Board's engineer, and the engineer for the company estimated about \$23,500 more than was allowed by the Board's engineer. Both allowed a higher rate for the cost of laying pipe in Irvington than for the rest of the system.

The difficulty which presents itself for the purposes of comparison is that the engineer of the company based his estimate on an average price for the entire territory, including Irvington. A separate estimate was submitted by the engineer for the Town of Irvington for the cost of labor for laying of pipes in that town. As to the cost of labor for laying pipe in the Summit and West Orange divisions, the same being procured from the company's records by the Board's engineer we are satisfied to accept the same as the more probable and reasonable estimate than that submitted either by the engineer for the company or for the municipalities. As to the estimated cost of labor for the Irvington plant, the estimate of the Board's engineer was criticised by the municipalities as being too high, it being contended that the actual construction cost of the Irvington plant was about \$18,000 less than the total cost estimated in the valuation made by the Board's engineer in 1915. To support this contention there was used the so-called Heile's report of the cost of mains in Irvington, which purports to give the actual construction cost of the Irvington plant. This report was assailed as incorrect. A careful check of this report has been made and, from the figures obtained by the Board's engineers and a comparison of the exhibits in the case, it is clearly indicated that the deduction made by the accountants of the peti-

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tioner and the respondents was erroneous. This is apparent from a comparison of the cost of the additions made during a number of years with a statement of the length of the pipe and the size of the pipe laid in the corresponding years as given from the so-called Heile's report. The figures as given by the accountants for a number of years are entirely inadequate to equal the cost of laying the length of pipe which the said report indicates was laid in the same years. The total length of pipe as given in Heile's report checks up approximately the same length as allowed for the mains in Irvington. We must therefore conclude that the figures of the cost of the Irvington system, as given in one of the exhibits, do not include all of the costs, and that the construction costs as given by Heile's report, which were made up largely from voucher expenditures of the company, actually show what they purport to indicate, i. e., the total cost of the plant which could be charged against the town in case the Town of Irvington should care to exercise the option which it holds for the purchase of the plant, for which purpose said report was made.

The company claimed that the total cost as indicated in this report does not represent the total expenditure actually made to produce the physical property belonging to the company because of the fact that there were certain miscellaneous items which could not be charged under the contract to purchase and were therefore not included. An inspection of the figures also shows that they include very little overhead expense, this expense being apparently carried in operating charges. The cost of materials and labor, as indicated in this report, checks within a few hundred dollars of the total as originally estimated by the Board's engineers in its former appraisal, after making correction for the excess pipe in Irvington. On the basis of reproduction new at the present time this cost should theoretically be larger. However, the total obtained by the Board's engineers in the manner indicated above appears to be as high as could reasonably be allowed, and it seems fair to allow this figure without either addition or subtraction. A credit is made to the cost of labor in Irvington mains of exactly the same amount as is added for the increased allowance for pipe.

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ACCT. 130, SERVICES.

Both engineers, for the company and the municipality, deduct the cost of 325 services in Irvington, the cost of which has been advanced to the company by the Town of Irvington. This deduction is proper, and the figure of \$3,591.25 for services is accordingly deducted from the additions to the company's property since January 1st, 1915.

ACCT. 131, METERS.

ACCT. 132, HYDRANTS.

The difference in the amount in the appraisals for these items is slight. We adopt the figures originally obtained by the Board's engineers with such changes as have since been made as shown on the company's books. We transfer to this account, however, valves on hydrants in Irvington and West Orange which were included in the 1915 appraisal under Acct. 129. We also add \$3,820 net cost for valves located in the Summit division, omitted from the 1915 appraisal.

ACCT. 134, GENERAL STRUCTURES.

The testimony of the engineer for the company and the engineer for the municipalities indicates that a larger allowance should be made for the older part of the Summit office building than was made in the Board's appraisal. We make an allowance of \$8,062 additional, to bring the allowance for this building to a total of 25 cents per cubic foot. This is reasonable in view of the cost of the company's new building adjoining and of the other buildings of similar character. The municipalities also attack the estimate of the Board's engineers for the storage building at Canoe Brook as being too high in the 1915 appraisal. We believe that this criticism more properly applies to the depreciation estimate on the building rather than in the estimate of the cost new. The estimate as made is somewhat high and accordingly a reduction in the sum of \$290 is made.

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ACCT. 135, GENERAL EQUIPMENT.

The company carries this account under Acct. 152, Materials and Supplies, and both the engineer for the company and the municipalities have included it under the same account in their appraisals. This is properly a fixed capital account and we have included it accordingly as part of the fixed capital, taking the inventory value.

ADDITIONS MADE AFTER JANUARY 1st, 1915, TO SEPTEMBER 30th, 1917.

After making the above adjustments the net cost of material and labor of the property acquired before January 1st, 1915, and in use or useful on September 30th, 1917, is arrived at. To these items are added the additions made by the company since January 1st, 1915, to September 30th, 1917, divided by 108.5% (as explained below) to obtain the total net cost as shown in Table I.

OVERHEAD CHARGES.

In the three appraisals submitted there is a considerable difference in the various amounts estimated for overhead charges. The company's engineer allowed, as of September 30th, 1917, approximately 17% of the base cost of fixed capital account. The corresponding percentage of the engineer for the respondents was approximately 9.5%, and the estimate of the Board's engineer for the property, as of December 31st, 1914, was slightly over a weighted average of 12% for the three properties then appraised.

The amounts allowed for overhead or indirect construction expenditures should be sufficient when added to the net cost figures to equal the total necessary reproduction expenditures. The actual percentage allowed by various appraisers or in various appraisals has no definite meaning without the knowledge of just what items are included in the net figure and in the overhead percentage. In arriving at the total reproduction cost by an organization engaged both in construction of new plant and in the operation of that part of the plant already constructed a material

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difference may be obtained in the total amount to be charged to capital expenditures and the amount chargeable as operating expenses depending upon the manner of allocating the total expenditures incurred.

In many appraisals a proper allocation of these expenditures is not even approximated. In some cases too low a percentage is reached by reason of the fact that many expenditures properly chargeable to construction are carried as an operating charge and in other cases the total which may reasonably represent a proper construction cost is obtained, but no corresponding adjustment of the operating charges and revenues is made. If this latter method is used, in connection with the determination of rates, it results in an allowance to the company for certain expenses both in fixed capital and in operating accounts. If the former method is followed a comparatively small overhead construction charge is obtained and operating expenses are allowed which are larger than are proper. With the probability that an appraisal will be made at some later day for the purposes of purchase and sale or a later revision of rates, which will recognize all of the expenditures which should properly be charged to construction, this again would lead to the inclusion in the fixed capital account of expenses which had previously been included as an operating charge in the determination of fair rates and would result in the double payment by the company's consumers for the same items of expenditure.

The previous appraisal made by the Board's engineer was for the purpose of capitalization, or the reorganization of the company, and, as we have heretofore held, appraisals made for the purpose of capitalization should be more strictly related to actual costs than reproduction costs. In the determination of a proper rate base, however, the fair value must be determined by the consideration of reproduction as well as original costs. Hence in this proceeding it seems necessary to take into consideration elements of cost which would be encountered in reproducing the company's property, and which heretofore were either omitted, assumed to be included in operating expenses (a very large part of the property being built by the company after starting operations)

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or were included in organization expenses under intangibles—such as legal and administrative expenses.

The addition of omitted elements or items, and the reallocation of the total expenses to operation and construction indicates a proper allowance for overheads to be 17.5% on all structures erected prior to January 1st, 1915. For structures added after January 1st, 1915, we calculate the allowance for overheads at 14.33%. The difference between these two percentages is due to an allowance for errors, omissions and contingencies included in the calculation of the overhead costs of the property acquired before January 1st, 1915, and omitted in the calculations for property since acquired, due to accurate records of the costs of the structures erected since January 1st, 1915.

The percentage addition of 17.5% to structures is applied to a net cost estimated on the basis of piecemeal construction by the company's direct employes and is intended to include all supervision above that of foremen. If the net figures represented cost to company for work done by a contractor, a considerable part of this supervision, also liability insurance and contingencies would be included in the net cost and the overhead expense would be correspondingly smaller.

A part of the company's plant, especially that part constructed in the earlier years, was built by contract, but the total cost as estimated is considered to be sufficient to fairly represent the cost of reproducing the property by either method if all the elements involved are considered. The percentage added to structures since January 1st, 1915, and calculated above at 14.33 is taken at 14%, 8.5% of this percentage is included in the amount of additions shown on the company's books, the balance of the 14% covering costs of insurance, rental of buildings and equipment for construction purposes, interest and taxes.

This 8.5% includes 6% charged by the company as a construction overhead to the work order costs and 2.5% to represent charges for supervision included in the company's work order costs, or for contractors' supervision which was included in cost of the transmission mains built by contract during this period.

The estimate of the engineer for the respondent evidently includes in the net figure some items which are herein allowed in

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the overhead costs, so that the difference in the respective percentages is not as large as it appears.

If the same allowances as heretofore made in the reorganization case were now adhered to, and no adjustments made in operating expenses, revenue of the company, or the materials and supplies allowed in this proceeding as compared with those which the company must actually carry, the effect upon the rate schedule would be very small. Consideration of all of these matters leads us to the conclusion that it is best to make a more careful allocation between construction and operating expenses than was considered necessary in the previous proceeding before this Board.

Overhead charges, operating expenses and miscellaneous revenue have been estimated to accord with this conclusion.

On the land included in the collection system the Board allows no overheads for the reason that the allowance of a present value of one hundred and seventy-five (\$175) dollars per acre is deemed sufficient to include all values as of September 30th, 1917.

On other real estate a total of 13.5% is allowed for overhead costs; this includes an allowance of 7% for the cost of purchasing, administration and taxes, and for interest, 6% on the 107%; the total is taken as 13.5%.

These percentages as applied to the total net costs as shown in Table I, give a weighted average of approximately 14.3% on all property which we allow for overhead charges.

ACCRUED DEPRECIATION.

The engineer for the municipalities calculates an allowance of approximately 9.99% for accrued depreciation on depreciable property. The company's engineer allowed approximately 9.6% for this item.

The annual depreciation as estimated by both is approximately 1.1% of the depreciable property. In the brief filed by the municipalities it is conceded that substantial justice will be done if 10% accrued depreciation is allowed and 1.1% is allowed for annual depreciation, computed on depreciable property excluding all intangible value and land. We conclude that an allowance

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of 10% for accrued depreciation is fair and reasonable and allow 10% of the value of all structures as proper allowance for such. We also allow as a charge for annual depreciation 1.1% to be computed on the depreciable property, excluding all intangible value and land.

INTANGIBLES.

Considerable endeavor was made to determine from the company's books and records whether or not the company had been enabled to earn from the beginning a reasonable return on its investment and, in addition, a sufficient amount to cover the accrued depreciation on the property now owned. The respondents have submitted a number of exhibits in reference to the determination of this question, some of which are based on the data shown by the accountants employed by both the petitioner and the respondents. The records show that in acquiring the Clinton Water Company from its original owners an amount considerably in excess of the cost of the plant was paid for same, the difference presumably representing the value placed at that time upon the intangible value of the property amounting to approximately \$20,000. This is also manifest in the amount paid by the company in acquiring the property of the West Orange Water Company. No exact conclusions can be drawn from the testimony, exhibits or the company's records as to what has been the total amount of investment corresponding to the present property of the company by the present Commonwealth Water Company and its predecessors. The record is clear, however, as to what securities the present Commonwealth Water Company has issued for the properties which it acquired in 1915 and as to what expenditures have been made since that date. When the company was reorganized in 1915 an allowance was made for intangibles amounting to approximately \$203,000. There is much force in the contention of the municipalities that this amount cannot be justified on the basis of uncompensated deficits in the development of this plant.

Development cost is one element of intangible value. It is usually determined by calculating the amount of uncompensated deficits on an assumed rate of return. The resulting amount may

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be so large as to constitute the entire fair allowance for all intangible values; in other cases it may be so small that other elements of intangible value should also be considered and allowed.

Allowance was made in the municipalities' appraisal for organization expenses of \$24,754. The company made an allowance for organization expenses, franchise and other intangibles of approximately \$244,000.

We think that substantial justice will be done in this case if an allowance of \$104,000 is made for organization, franchises and other intangible values.

WORKING CAPITAL.

It appears that a part of the working capital is supplied by the holding company, and that interest is paid on debit or credit balances as the cases may be. Whether the working capital is provided in this manner is a matter solely for the discretion of the company's officials, but in determining a fair rate base it is necessary to make an allowance for a fair amount of working capital regardless of the source from which it is actually obtained.

In making a determination of proper allowance for working capital we have considered the following items:

A. The normal operating expenses of the company.

B. The amount of fixed charges payable at the end of each quarter.

C. The amount of fire service charges payable at the end of each quarter.

D. The amount to be received from metered consumption payable during the month following each quarter.

E. The material and supplies necessary to be carried for purposes of operation (excluding those necessary for new construction).

F. Bank balances.

G. Contingencies.

In the appraisal of the municipalities there is allowed \$25,000 for working capital; the company's estimate is approximately \$83,000, including \$9,000 cash. The company asked for an allowance for working capital, including cash and stock on hand.

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of \$100,000. In each of these totals there is included an allowance of about \$18,000 (present value) for general equipment and meters in stock which we have heretofore included under fixed capital as the items in each of these accounts have a life of more than one year, and it is therefore proper to include them as fixed capital.

The amount originally estimated by the company also included about \$20,000 for construction work in progress and an amount for materials and supplies which will be used for construction purposes, the carrying charges for both of which are included under the allowance in fixed capital account for interest during construction. Farm inventories were also included in part of this estimate.

From a consideration of all of the elements involved we find that a total of \$40,000 for working capital should be allowed. The consumers' deposits, which the company may have on hand from time to time, are not considered in arriving at the above amount for working capital, as the company is required to pay interest on these deposits and hence they cannot be considered as an offset to the capital which the company must provide.

EXPENDITURES OF THE COMPANY WHICH ARE INCLUDED IN THE
RATE SO AS TO COVER PROPERTY WHICH MUST BE PROVIDED
BY THE COMPANY AND WHICH ARE NOT NOW OWNED
BY IT IN ORDER TO COMPLY WITH THE ORDERS
OF THE COMMISSION AND IN ORDER TO
RENDER ADEQUATE SERVICE.

The additional construction required as originally listed by the company is as follows:

Acct. 121.	Canoe Brook station	\$7,500.00
Acct. 122.	Canoe Brook machinery	2,500.00
Acct. 129.	Main into New Providence	5,000.00
Acct. 129.	Main into Irvington	45,000.00
Acct. 131.	Consumers' meters to be purchased	55,075.85
Acct.	Consumers' meters for flat rate service, 639 at \$10.53,	6,728.67
Total		\$122,304.52

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The second item listed, "Canoe Brook Machinery," represents the cost of installing a 2,000,000-gallon centrifugal pump from the Millburn Booster Station in the Canoe Brook Station. The company also included in fixed capital installed, the value of the Millburn Booster Station and equipment, so that the original claim of the company with respect to this item is considerably higher than indicated. The first and last two items are included by both the municipalities and the company in the rate base, but at different figures. The engineer for the municipalities placed a value on the Canoe Brook Station on the basis of the building, with the contemplated improvements installed, so that the amount allowed for this item is not definitely apparent, but the record indicates that he considers the added value will be much less than is indicated. The company's engineer allowed \$6,500 for the improvements to the station and \$2,500 for the additional pump, and has withdrawn from capital entirely the Millburn Booster Station. Apparently, there is added in the estimate of the municipalities \$3,000 or \$4,000 for the Millburn Booster pump. From all the facts it appears fair to add for improvements to the station to meet the requirements of the Fire Underwriters a net addition of \$5,500 and for the additional pump, \$3,500.

The total amount indicated for the purchase of the new meters is about \$62,500, which is approximately the amount allowed the municipalities. The company claims \$75,100 for new meters. The average price indicated for the new meters for flat rate consumers appears to be considerably below what it would probably cost the company even if all of these consumers should use $\frac{5}{8}$ -inch meters. The basis upon which the price to be paid for consumers' meters is determined, which totals \$55,075, appears to be fair. It also appears fair to allow at least \$8,925 for new meters to be purchased for flat rate consumers, or a total for new meters of \$63,800.

It was conceded by all parties to the proceedings that the fire service in Irvington was inadequate, as claimed by the company, and that additional mains should be laid to Irvington to reinforce this service. It was also claimed by the company that additional mains should be laid to New Providence in order to give adequate fire service, and the company's statement that this service

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was needed at the present time was not refuted. The company's statement is also corroborated by the recommendations of the Fire Underwriters, which recommendations are based both on the needs of New Providence and Summit, principally the latter.

Evidence was produced that other large expenditures would be required within the near future necessary to render adequate service. Included in the estimate were amounts for additional mains in Irvington, New Providence and Summit, and \$175,000 for the connection of West Orange with Canoe Brook supply, and the reinforcement of its distributing system. When these additions will be made is uncertain, they may be deferred for several years, and it may be necessary to make some of them within the very near future. In view of the uncertainty as to when they will actually be made, and the uncertainty of the calculations based on a projection of the company's revenue and expense into the future, we have included only those improvements which must be made at once (or have already been made at this time), viz., the purchase of meters and improvements at Canoe Brook Station.

The most imminent of the remaining items are the mains to Irvington and New Providence, which, if installed at the present time at a cost not exceeding \$50,000, would impose an additional normal cost on the company's consumers, which we calculate would approximate \$6,000. Of this amount approximately \$1,150 will be received by the company from inch-foot charges for fire service, leaving \$4,850 to be allocated to the domestic consumers. This amount would be absorbed in the normal growth of the company's business. The total of these allowances is \$72,800, made up as follows:

Improvements at Canoe Brook station building, additional pump and miscellaneous equipment	\$9,000
Consumers' meters to be purchased (depreciation 25 per cent.)	55.075
Meters for flat rate consumers (639)	8,725
Total	\$72,800

Summarizing the various amounts allowed as indicated above, as given in Table I, appended, we arrive at the following total for the rate base as of September 30th, 1917:

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Value of real estate and water rights	\$232.166
Total present value of structures, including meters in stock and general equipment	1,289,509
Organization and franchises and other intangibles	104,000
Allowance for working capital	40,000
Allowance for new construction required in the immediate future or already expended	72,800
Total	\$1,738,475
As taken	\$1,738,500

ANNUAL APPROPRIATION FOR DEPRECIATION.

The total cost new of depreciable property, including the future additions which have been allowed, amounts to \$1,506,657, of which total 1.1% is taken at \$16,776. This includes an adjustment by reason of consumers' meters being purchased at a depreciated value.

OPERATING EXPENSES.

In order to eliminate the abnormal costs due to the present conditions, we have determined the operating expenses on the basis of the average costs for 1915 and 1916, as applied to quantities used in 1917. On this basis operating expenses are obtained as shown in Table II, appended to this report.

The engineer for the municipalities estimated operating expenses on the basis of what he considered normal prices for coal and labor, and, for most of the other items he takes the average of the company's expenses for the years 1915, 1916 and 1917 with certain modifications. He deducted from administrative expenses of the company \$5,312 and also an amount slightly in excess of \$5,000 for loss sustained in farming operations. He allows an added amount of \$400 for liability insurance. He also makes a reduction because of overhead allowances which were claimed to be made over and above the amount actually paid by the company of \$3,600. His total for normal operating expenses is \$80,000. He estimated the additional operating costs due to the present abnormal conditions at approximately \$16,000 a year, not including war income taxes nor franchise taxes.

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For the company, its engineer based his estimate on the 1917 operating expenses with certain modifications. He reallocated the administrative expenses to conform more nearly with the requirements of the Uniform System of Accounts for Water Utilities. He also made certain additions for increased expenses of labor for 1918 over 1917 and omits charges due to farm losses charged in 1917 as operating expenses. He also made an addition for liability insurance which the company had not been carrying as a charge on its books. He also made an added allowance for the additional costs of services under the new rule of this Board. His estimated total is \$110,728. The original estimate of the company was \$104,000, but this sum did not include any additional labor expenses for the year 1918 over 1917.

The principal difference between the estimate of the municipality and the company arises from the fact that a deduction of five to six thousand dollars from the administrative expenses was made by the engineer for the municipalities, and also that he deducted the \$3,600 which he stated was included in his construction overheads; some difference is also due to a smaller allowance for the amount of water purchased, and a smaller allowance is for the additional cost of service.

We do not find that so large a deduction from administrative expenses without the reallocation of these charges to some other operating expense account is justified; nor do we find that so large an amount as \$3,600 has been included in the construction overheads. With respect to the water purchased, we find that an adjustment should be made to allow for the elimination of the high cost of water purchased from East Orange as well as that purchased in 1917 from the Short Hills Water Company. All of the adjustments made by the engineer for the municipalities were correct in principle, but too large in amount. In making our adjustments of operating expenses we find that the amount charged as a fiscal agency charge should be allocated to a different account than Account No. 411, Administration Expenses. This item appears to be in the nature of an expenditure which should be classed partly under the item of bond discount and expenses, and partly under the item of organization expenses, which is a fixed capital account. This amount is deducted in arriving at the total. A

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reduction is also made of \$800 for items charged as operating expenses, but allowed as a construction overhead. We also made a deduction of \$350 to cover expenses charged to Account No. 411 which should be more properly allocated to farm and land company operations. We have also adjusted the operating accounts to conform with the estimate of water sold for the year of which September 30th, 1917 (the date of the appraisal), is the mid-point.

TAXES.

That the rate of taxation has an increasing rather than decreasing trend is well known. That the tax authorities in imposing taxes on the properties of utilities consider the values fixed by this Board for rate purposes in ascertaining the value for taxing purposes is also known. This matter was particularly referred to in the testimony in the present case by the president of the company. He stated that he would submit to the taxing authorities the value fixed upon the tangible property of the company by this Board, as a basis for taxation. Other than the local property taxes, the percentage to be paid on the other classes of taxation is fixed by law, viz.: State franchise tax on gross receipts, capital stock tax, and Federal income tax. For the local property tax we have allowed $2\frac{1}{4}\%$ on the present value of the company's tangible property.

The State franchise tax is based on the gross income derived from the property of the utility located in the public highways. The rate of taxation for the year 1919, when the new rate will be effective, is 4% ; for 1920 and the years following, the rate is 5% ; assuming that the rates established by this order will remain in effect for the next five years, we calculate a fair average allowance for this tax of $4\frac{3}{4}\%$ on gross income.

The total revenue required exclusive of the franchise tax is \$273,071. The testimony indicates that of the total gross revenue, 83% thereof is the proportion derived from the property in the public highways. This percentage of gross revenue is approximately \$227,000, and the difference between \$227,000 and the same amount divided by $95\frac{1}{4}\%$ indicates a franchise tax of \$11,300.

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For capital stock tax we allow \$350 which is approximately the amount of this tax, which was paid by this company in the year 1917.

The Federal income tax rate in 1917 was 2% ; we do not allow the increased rate for 1918.

In determining the normal expenses and revenues of the company, war taxes are in the category of abnormal costs to be provided for by a surcharge to take care of extraordinary expenses, as and when they have to be paid. The total of the amounts which we allow for taxes is \$50,427.

RATE OF RETURN AND GROSS REVENUE REQUIRED.

The fair rate of return upon the value of the property found to be used and useful in normal times and under normal operating conditions is considered by all parties to the proceeding to be 7%. We allow this percentage return and determine the gross revenue required to permit of such a return to be as follows:

Normal operating expenses	\$95,472
Taxes other than additional (1918) U. S. income tax...	50,427
Annual charge for depreciation	16,776
7 per cent. return upon a basis of \$1,738,500	121,696
Total gross revenue required	<u>\$284,371</u>

ALLOCATION OF CHARGES TO THE VARIOUS CLASSES OF SERVICE.

Having ascertained the amount of revenue required, it then becomes necessary to allocate to the various classes of service so much of the revenue as is proportional to the costs for water sold to each class. Until rates for service of utilities were regulated by law, most utilities charged rates which, in the main, were the results of bargains rather than being calculated by scientific methods. It is a matter of common knowledge that much free service was furnished to municipalities by water companies, as the result of bargains made in awarding franchises. It is also a matter of common knowledge that large users of water were the recipients of water under contracts which were the result of bargains, the cost

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of which, when ascertained scientifically, was found to be in excess of the prices paid. It is assumed that the revenues obtained by the water companies under this method of charge procured revenue at least sufficient to yield them a sufficient income upon the value of their properties used and useful in supplying the service. It therefore follows that the domestic consumers were bearing more than their just share of the charge. In all of the cases brought before this Board, efforts have been made to allocate to the respective service furnished a just proportion of the costs of furnishing such service.

Free service of the product of the utilities is prohibited by law. Having ascertained the value of the property as an entirety, it thus becomes necessary to ascertain what part of the property is devoted to each particular class of service so as to ascertain the particular class of service and the corresponding charge for such service.

In the present case we find the revenue of the company is obtained from four sources—

1. Revenue from miscellaneous sources.
2. Fire service charges.
3. Fixed service charges—domestic consumers.
4. Proportional charges for water sold.

In order to determine the proper charge for the various classes of service, it is necessary to determine the total costs pertaining to the different parts of the system used in supplying the service, such as reservoirs, transmission and distribution mains services, meters, etc. And the following comments or reasons seek to explain the costs entering into each class of service.

1. *Revenue from miscellaneous sources.*—Before allocating the costs chargeable to fire and domestic service, revenue from miscellaneous sources has been estimated.

This subdivision includes miscellaneous water service, Account 305, and miscellaneous operating revenue, Account 306. The revenue received from these sources for the years 1915, 1916 and 1917 was ascertained. This classification includes income from private fire services, exclusive of metered water, and also rental of property owned by the company and for which rent is received or the use of which is allocated to construction, in arriving at the

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percentage adjustment for overhead expenses. This latter item has heretofore been determined on the basis of a normal construction expenditure by the company of approximately \$80,000 per year.

The estimated income from this source is given in Table IV, appended hereto, and amounts to \$6,200.

The total cost of service (Table III) less the above amount leaves a total of \$278,171 to be divided between fire and domestic service.

2. *Fire charges.*—The total fire service charge is determined by taking a certain percentage of the costs as shown in Table III less revenue from miscellaneous sources deducted above. This percentage varies for the supply works, water purchased, transmission and distribution mains, reservoirs, services, hydrants, etc., and averages 14.7%, or a total amounting to \$40,937. The percentages making up this average per cent. which is chargeable to fire service are matters of judgment and calculation, and the amount allowed is the minimum which can be calculated. We have found that the hydrant charge in numerous municipalities throughout the State varies. In one of the most important cases which came before this Board recently and which required exhaustive investigation, the Board found and determined the rate of \$6.00 to be fair and reasonable as a fixed service charge for fire hydrants. There does not seem to be any apparent reason why this charge should vary materially. This, of course, applies only to hydrants which were installed during normal times but does not apply to hydrants which are installed during the era in which the abnormal prices for labor and material prevail. We believe that in the fixation of rates a uniform amount for fixed hydrant charges can be determined which will apply throughout the State without substantial injustice being done. We accordingly adopt as a fixed charge for hydrants installed as of September 30th, 1917, \$6.00 per 4-inch hydrant per annum. For fire hydrants installed since September 30th, 1917, we will allow \$8.00 per 4-inch hydrant per annum, this being due to the increased cost of labor and material. This charge is based on the average estimated costs of hydrants on normal pre-war conditions with allowance for depreciation, taxes, maintenance and return on capital.

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The balance of the charge for furnishing fire service is apportioned among the municipalities on the basis of an inch-foot charge determined from the length and size of mains which are considered as serving these municipalities with fire service.

It therefore becomes necessary to ascertain what proportion of the mains is devoted to fire service. As communities grew there was no thought of providing a separate service for domestic and wholesale use, and a second system for use in fire service. The two uses were combined in the same service, and the difficulty arises in ascertaining what proportion of the costs estimated is devoted to fire service, and what proportion is devoted to domestic and wholesale service, so as to determine the proportion of the cost of service that each should bear; and secondly where a system supplies more than one municipality, it becomes necessary to ascertain what proportion of this charge should be borne by the respective municipalities.

In determining the total number of inch-feet of mains assigned to each municipality, certain assumptions must be made with reference to the allocation of the transmission mains. This method in general is as follows:

The entire piping system is divided into transmission and distribution mains by treating all mains 10 inches and larger as transmission mains, and all mains 8 inches down to 4 inches as distributing mains. The number of inch-feet in a given transmission main supplying more than one service district is divided in proportion to the population in each service district, and all transmission mains supplying but one service district would, accordingly, be charged to the one district which they serve.

The matter is further complicated because a part of the population of Millburn is now served by the Short Hills Water Company, and in order to place this Borough on a par with other municipalities, only that part of the population is considered which is supplied by the Commonwealth Water Company. Applying this method of calculation, the total charge against each municipality is determined as indicated in Table V. The total of 5,771,803 inch-feet of mains is determined as existing as of number 30th, 1917.

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The charge per inch-foot filed by the company and approved by the municipalities of .6 cents per inch-foot per year, we accept as being reasonable and fair.

The company's schedule of rates provided for the payment of these charges yearly in advance on February 1st. We do not find that this is an equitable method of charging for municipal service. All other consumers of the company pay quarterly for the service and there is no reason why the municipal authorities should be required to pay in advance. We therefore determine that bills for municipalities served shall be rendered at the beginning of each quarter, to be payable on or before the last day of each quarter, on the basis of the total inch-feet in service at the beginning of the quarter for which the bill is rendered. This of course will place upon the company the burden of ascertaining exactly the number of inch-feet in service at the beginning of each quarter. It also places upon the municipality the burden of providing in their budgets for the number of inch-feet which they will require for the ensuing year and providing funds for the payment. This will require cooperation between the company and the municipality and may necessitate adjustments each year. Nothing impractical, however, appears in the method.

3. *Fixed service charges.*—What we have said heretofore as to the fixed charge for hydrants applies with equal force to the fixed service charge to metered consumers in the present case. All parties have accepted the fixed service charge to metered consumers allowed by this Board in the Hackensack Water rate case, a table for which is herein repeated in part as Table VI. In this table is shown the number of meters of this company in service and the corresponding fixed service revenue resulting from the application of these fixed service charges. This table includes a list of the charges to be received from the present flat-rate consumers of the company on a metered basis, the present flat-rate consumers being assumed to take a $\frac{5}{8}$ -inch meter.

The fixed service charge includes no water. Water used must be paid for at the proportional rates hereafter determined, the fixed service costs including two elements only of the total costs of service, viz., a proportion of the demand, capacity or readiness to serve costs, and the service or customer costs.

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4. *Proportional charges for metered water.*—The total amount to be charged for this class of service is the difference between the total revenue required as determined above and the amount allocated to the other classes of service mentioned above, viz., revenue from miscellaneous sources, fire service charge, and fixed service charge for domestic consumers. This calculation is made in Table VIII; also an adjustment in operating expenses as shown in the table.

The balance remaining for proportional charges for the sale of metered water is calculated to be \$186,946.

In order to determine the proportional rates, it is first necessary to determine the amount of water sold during the year, and as the operating expenses are determined on the basis of normal operating expenses corresponding to the water pumped from April 1st, 1917, to April 1st, 1918, it becomes necessary to determine the total amount of water sold during the same year and the classes of consumers using this water.

The data from which the amount of water sold during the year can be determined are given in Exhibit P-71 in detail for the year ending December 31st, 1917. Consideration was also given to the amount of water estimated to be used by flat rate consumers when placed on metered service and the amount of water used for sewer flushing, which, under the proposed schedule, will also be sold by meter measurement. We estimate the total water sold during the year on a comparable basis with the normal operating expenses which have heretofore been determined and which must be used to determine the total charge to be derived from proportional charges to be 120,000,000 cubic feet. According to the estimate in Exhibit R-42, this amount is 123,000,000 cubic feet. According to the estimate in Exhibit P-83V, the amount used is 118,000,000 cubic feet.

In arriving at the total which we use as indicated above, we have assumed approximately as follows:

	Cubic Feet.
Total water sold on metered basis, 1917	110,300,000
Amount estimated to be taken by flat rate consumers when metered.	5,700,000
Amount estimated to be used in sewer flushing	2,000,000
<hr/>	
Total estimated meter sales for year ending December 31st, 1917,	118,000,000
Add 1.7 per cent. normal growth to bring the mid-point of the water year to coincide with the date of the valuation, that is, from June 30th. to September 30th, 1917	2,000,000
<hr/>	
Total	120,000,000

Commonwealth Water Co.—Increased Rates.

In arriving at a subdivision of the cost of the various classes of consumers, it is necessary to determine the cost which should properly be allocated to each class of consumer. This is obtained by allocating the total cost for water sold (proportional charge) as applied to each part of the works among the various classes of consumers based on quantities used in each block. The consumers are divided into different classes according to the amount of water used annually by each, as shown below:

Domestic consumers	0 to	40,000 cu. ft. per year.
Intermediate consumers	40,000 to	400,000 cu. ft. per year.
Manufacturing consumers	400,000 to	4,000,000 cu. ft. per year.
Special consumers	in excess of	4,000,000 cu. ft. per year.*

On the basis of this estimated cost of water per unit sold to different consumers we find a relative cost of water sold to the various classes is as follows:

	Allowed.	For Comparison.	
		Company's Engineer.	Respondents' Engineer.
Domestic consumers	100.00%	100.00%	100.00%
Intermediate consumers	80.00%	62.00%	70.08%
Manufacturing consumers	64.00%	52.50%	63.14%
Special consumers	51.20%	45.20%*	60.90%*

On the basis of this calculation the fair rates for the proportional charge for the various classes of consumers are determined to be as follows:

Class.	Block.	Rate.
Domestic rate	0 to 40,000 cu. ft.	\$1.75 per M. cu. ft.
Intermediate rate	40,000 to 400,000 cu. ft.	1.40 per M. cu. ft.
Manufacturers' rate	400,000 to 4,000,000 cu. ft.	1.10 per M. cu. ft.
Special rate	over 4,000,000 cu. ft.	0.90 per M. cu. ft.

The use in each block is to be paid for at the rate indicated for such block.

The revenue estimated to be obtained under these rates is as follows:

Commonwealth Water Co.—Increased Rates.

Table Showing Revenue Derived from Proportional Charges for Metered Water.

Yearly Consumption Cu. Ft.	Amount Sold in Each Block.	Rate Per M. Cu. Ft.	Revenue.
0 to 40,000.....	75,456 M. cu. ft.	\$1.75	\$132.048
40,000 to 400,000.....	26,124 M. cu. ft.	1.40	36.574
400,000 to 4,000,000.....	13,368 M. cu. ft.	1.10	14.705
over 4,000,000.....	5,052 M. cu. ft.	0.90	4.547
Totals	120,000 M. cu. ft.	....	\$187.874

The amount of water consumed in the various blocks is derived as indicated above from the data used in making up Exhibit P-21.

The company has, as hereinbefore recited, filed a separate schedule for the purpose of supplying the district specified as the West Orange High Service, the rates being higher than those in the balance of the territory served. This particular district is furnished at the present time with water purchased from the Montclair Water Company, the pressure being sufficient during a part of the year to maintain adequate service in the standpipe located in this district. During a considerable part of the year 1917 and a smaller part of the preceding years, starting with 1913, it has been necessary for the company to operate a booster pump in order to maintain the pressure in the standpipe for this district at the proper amount required by the service. The cost of operating the booster has been paid, one-half by the petitioner and one-half by the Montclair Water Company. According to the record in the case, the standpipe was the property of the Montclair Water Company, and the record indicates that the company expected this higher schedule to be necessary at such time as water from the Canoe Brook supply should be furnished to West Orange, and permanent provision had been made for a secondary pumping.

The record indicates that the company will be required to purchase this standpipe or to build one of its own at such time as the supply from Montclair is discontinued. The evidence submitted by the company in connection with an application for the issue of securities subsequent to the final hearing in this case.

*This block is taken at the excess over 1,000 cubic feet by the engineers for the company and the respondents.

Commonwealth Water Co.—Increased Rates.

shows that the petitioner has since been required to purchase this standpipe from the Montclair Water Company, as its contract for a supply of water has expired. Inasmuch as it is not a matter of record in this case that this purchase has taken place, it cannot be considered at this time. The Board considers it best that the same rate as established above (which now includes whatever charges are incurred for a temporary booster station) shall apply also to West Orange high service district, until such time as the additional cost of serving these consumers may make it necessary for the company to file a schedule providing for an additional charge.

PRESENT ABNORMAL EXPENSES AND APPLICATION OF SURCHARGE.

The permanent rates as heretofore determined have been based on averages both with respect to the operating expenses and the return on capital. The operating expenses have been based on the average costs as they existed in 1915 and 1916, and the return on capital has been computed at the rate of 7% on the depreciated value of the property.

With respect to the return allowed and the determination of normal rates, changing conditions from year to year may result in a rate of return higher than this average amount in some years and a lower rate of return in other years. The Board cannot be expected to adjust rates to meet these changing conditions every year. During the present abnormal times emergencies may arise with respect to the operation of the petitioner which may make it necessary to adjust rates at more frequent intervals, in order to enable the utility to render safe and adequate service to its customers. It does not meet with the approval of the Board, however, to impose a surcharge upon the normal rate heretofore determined until the return on capital shall fall below a minimum of 6%.

The estimate of operating expenses as made by the company's engineer and previously referred to under the heading "Operating Expenses" has taken into consideration the higher prices which have been paid for fuel in 1917 and the higher prices for

Commonwealth Water Co.—Increased Rates.

labor which the various exhibits indicated it would be necessary to pay during 1918. A sufficient allowance was probably not made for the increase in cost of fuel in 1918, which increase is estimated by the respondents' engineer as \$9,000 when compared with 1915 and 1916.

An estimate has been made by the Board's engineers of the excess cost which the company has been required to meet during the year 1917 and will be required to meet during the year 1918 above the expenses which have been allowed in determining a normal rate. This estimate indicates that the additional expenses in 1918, including additional war income taxes, will equal approximately 1% on the rate base allowed, and for the year 1917 would be somewhat less than this amount. The Board will therefore not impose any surcharge upon the normal rates heretofore determined.

COMPARISONS BETWEEN OLD AND NEW RATE SCHEDULES.

An analysis of the results which will be obtained by the application of the new schedule of rates indicates that they involve essentially a rearrangement of the rate schedule now in effect and a reallocation of the charges to the different classes of consumers without materially increasing or decreasing the rates of return earned by the company under normal conditions.

Table VIII, appended hereto, shows in tabular form a comparison between the revenues, operating expenses and rate of return received on the value of the plant used and useful for water works purposes (on bases comparable with that used for making rates) between an average of the two years 1915 and 1916, the calendar year 1917 on the basis of actual experience, adjusted as indicated, and the same items for the year from April 1st, 1917, to April 1st, 1918, as has been heretofore used in the determination of the new rates. The table indicates a return on capital in excess of 7% for the normal years of 1915 and 1916, less than 6% for 1917 on the basis of revenue actually received and 7% on the basis of the new rates.

The new schedule of rates involves a material increase in the amount of revenue to be received from the municipalities for fir-

Commonwealth Water Co.—Increased Rates.

service. This increase in revenue will be more than offset by the increase in taxes which has been allowed in the determination of the rates.

Table IX shows a comparison of fire charges under the old and new schedules for each municipality; it also shows the increase in local property taxes on the basis of assessment at the full value allowed for physical property and the tax rates as they existed in 1917. Due to increases in the various tax rates, the taxes actually collected for the year 1918 will doubtless be larger than those shown above.

This table also shows that the number of fire hydrants in the various municipalities can be increased in order to diminish the distance between hydrants to a distance of 500 feet, which is desirable from many standpoints, without materially increasing their total cost.

Table X shows a comparison of the rates to be paid by the domestic consumers in the first block of the rate schedule. A consumption of water has been estimated in this block to correspond as nearly as possible with the amount which it is thought that the average consumer would use.

CONCLUSIONS.

The Board therefore finds and determines as follows:

1. That the petition as filed by the company should be and is hereby dismissed.

2. (a) That the following is a just and reasonable schedule of normal rates for water service:

SCHEDULE OF RATES FOR WATER SERVICE THROUGHOUT THE TERRITORY SUPPLIED BY THE COMMONWEALTH WATER COMPANY.

(Effective January 1st, 1919.)

I. For *Public Service* and *Fire Protection*, applicable to All Municipalities.

A—*Inch-Foot Charge*.—Each municipality shall pay for each quarter year beginning January 1st, 1919, an inch-foot charge of

Commonwealth Water Co.—Increased Rates.

of which, when ascertained scientifically, was found to be in excess of the prices paid. It is assumed that the revenues obtained by the water companies under this method of charge procured revenue at least sufficient to yield them a sufficient income upon the value of their properties used and useful in supplying the service. It therefore follows that the domestic consumers were bearing more than their just share of the charge. In all of the cases brought before this Board, efforts have been made to allocate to the respective service furnished a just proportion of the costs of furnishing such service.

Free service of the product of the utilities is prohibited by law. Having ascertained the value of the property as an entirety, it thus becomes necessary to ascertain what part of the property is devoted to each particular class of service so as to ascertain the particular class of service and the corresponding charge for such service.

In the present case we find the revenue of the company is obtained from four sources—

1. Revenue from miscellaneous sources.
2. Fire service charges.
3. Fixed service charges—domestic consumers.
4. Proportional charges for water sold.

In order to determine the proper charge for the various classes of service, it is necessary to determine the total costs pertaining to the different parts of the system used in supplying the service, such as reservoirs, transmission and distribution mains services, meters, etc. And the following comments or reasons seek to explain the costs entering into each class of service.

1. *Revenue from miscellaneous sources.*—Before allocating the costs chargeable to fire and domestic service, revenue from miscellaneous sources has been estimated.

This subdivision includes miscellaneous water service, Account 305, and miscellaneous operating revenue, Account 306. The revenue received from these sources for the years 1915, 1916 and 1917 was ascertained. This classification includes income from private fire services, exclusive of metered water, and also rental of property owned by the company and for which rent is received or the use of which is allocated to construction, in arriving at the

Commonwealth Water Co.—Increased Rates.

percentage adjustment for overhead expenses. This latter item has heretofore been determined on the basis of a normal construction expenditure by the company of approximately \$80,000 per year.

The estimated income from this source is given in Table IV, appended hereto, and amounts to \$6,200.

The total cost of service (Table III) less the above amount leaves a total of \$278,171 to be divided between fire and domestic service.

2. *Fire charges.*—The total fire service charge is determined by taking a certain percentage of the costs as shown in Table III less revenue from miscellaneous sources deducted above. This percentage varies for the supply works, water purchased, transmission and distribution mains, reservoirs, services, hydrants, etc., and averages 14.7%, or a total amounting to \$40,937. The percentages making up this average per cent. which is chargeable to fire service are matters of judgment and calculation, and the amount allowed is the minimum which can be calculated. We have found that the hydrant charge in numerous municipalities throughout the State varies. In one of the most important cases which came before this Board recently and which required exhaustive investigation, the Board found and determined the rate of \$6.00 to be fair and reasonable as a fixed service charge for fire hydrants. There does not seem to be any apparent reason why this charge should vary materially. This, of course, applies only to hydrants which were installed during normal times but does not apply to hydrants which are installed during the era in which the abnormal prices for labor and material prevail. We believe that in the fixation of rates a uniform amount for fixed hydrant charges can be determined which will apply throughout the State without substantial injustice being done. We accordingly adopt as a fixed charge for hydrants installed as of September 30th, 1917, \$6.00 per 4-inch hydrant per annum. For fire hydrants installed since September 30th, 1917, we will allow \$8.00 per 4-inch hydrant per annum, this being due to the increased cost of labor and material. This charge is based on the average estimated costs of hydrants on normal pre-war conditions with allowance for depreciation, taxes, maintenance and return on capital.

Commonwealth Water Co.—Increased Rates.

The balance of the charge for furnishing fire service is apportioned among the municipalities on the basis of an inch-foot charge determined from the length and size of mains which are considered as serving these municipalities with fire service.

It therefore becomes necessary to ascertain what proportion of the mains is devoted to fire service. As communities grew there was no thought of providing a separate service for domestic and wholesale use, and a second system for use in fire service. The two uses were combined in the same service, and the difficulty arises in ascertaining what proportion of the costs estimated is devoted to fire service, and what proportion is devoted to domestic and wholesale service, so as to determine the proportion of the cost of service that each should bear; and secondly where a system supplies more than one municipality, it becomes necessary to ascertain what proportion of this charge should be borne by the respective municipalities.

In determining the total number of inch-feet of mains assigned to each municipality, certain assumptions must be made with reference to the allocation of the transmission mains. This method in general is as follows:

The entire piping system is divided into transmission and distribution mains by treating all mains 10 inches and larger as transmission mains, and all mains 8 inches down to 4 inches as distributing mains. The number of inch-feet in a given transmission main supplying more than one service district is divided in proportion to the population in each service district, and all transmission mains supplying but one service district would, accordingly, be charged to the one district which they serve.

The matter is further complicated because a part of the population of Millburn is now served by the Short Hills Water Company, and in order to place this Borough on a par with other municipalities, only that part of the population is considered which is supplied by the Commonwealth Water Company. Applying this method of calculation, the total charge against each municipality is determined as indicated in Table V. The total of 5,771,803 inch-feet of mains is determined as existing as of September 30th, 1917.

Commonwealth Water Co.—Increased Rates.

The charge per inch-foot filed by the company and approved by the municipalities of .0.6 cents per inch-foot per year, we accept as being reasonable and fair.

The company's schedule of rates provided for the payment of these charges yearly in advance on February 1st. We do not find that this is an equitable method of charging for municipal service. All other consumers of the company pay quarterly for the service and there is no reason why the municipal authorities should be required to pay in advance. We therefore determine that bills for municipalities served shall be rendered at the beginning of each quarter, to be payable on or before the last day of each quarter, on the basis of the total inch-feet in service at the beginning of the quarter for which the bill is rendered. This of course will place upon the company the burden of ascertaining exactly the number of inch-feet in service at the beginning of each quarter. It also places upon the municipality the burden of providing in their budgets for the number of inch-feet which they will require for the ensuing year and providing funds for the payment. This will require cooperation between the company and the municipality and may necessitate adjustments each year. Nothing impractical, however, appears in the method.

3. *Fixed service charges.*—What we have said heretofore as to the fixed charge for hydrants applies with equal force to the fixed service charge to metered consumers in the present case. All parties have accepted the fixed service charge to metered consumers allowed by this Board in the Hackensack Water rate case, a table for which is herein repeated in part as Table VI. In this table is shown the number of meters of this company in service and the corresponding fixed service revenue resulting from the application of these fixed service charges. This table includes a list of the charges to be received from the present flat-rate consumers of the company on a metered basis, the present flat-rate consumers being assumed to take a $\frac{5}{8}$ -inch meter.

The fixed service charge includes no water. Water used must be paid for at the proportional rates hereafter determined, the fixed service costs including two elements only of the total costs of service, viz., a proportion of the demand, capacity or readiness to serve costs, and the service or customer costs.

Commonwealth Water Co.—Increased Rates.

III. (a) *Temporary Flat Rate or Fixture Charge.*

Owing to the considerable number of flat rate or fixture charge consumers at present existing on the Commonwealth Water Company's system, it will be impracticable to change over all of such consumers to a metered basis immediately upon the approval of a new schedule of rates.

Accordingly, all flat rate or fixture rate service in operation January 1st, 1919, may, at the option of the company, remain in service as such and at rates now prevailing therefor, until the company is able to install proper meters on such services, at which time all such services shall be billed according to the foregoing schedule of rates for water service. (See Private Charges, II—A and II—B.)

(b) *Permanent Flat Rate or Fixture Charge.*

Under ordinary conditions all water sold to regular continuous consumers shall be measured by a meter; where for any reason the installation of a meter is impracticable, a flat rate based upon the best information as to quantity to be used will be assessed and covered by a special reasonable rate for each case, preferably in advance of the service. Each such special rate is to be filed with the Board of Public Utility Commissioners within ten days after its adoption.

2. (b) That the petitioner may file this schedule of rates shown above, effective as of January 1st, 1919.

3. That, with respect to the services installed in Irvington, for which payment has been advanced to the petitioner in accordance with a certain contract shown in Exhibit P-73, no specific allowance has been made in the foregoing determination for the depreciation or maintenance of these services, for the reason that it would seem best to make an adjustment for such expenditures as may be necessary, and such allowance for depreciation as may be considered equitable at the time these services are taken over by the company.

Dated December 30th, 1918.

Commonwealth Water Co.—Increased Rates.

TABLE I.
VALUE OF PROPERTY USED AND USEFUL AS OF SEPTEMBER 30TH, 1917.

Ref. Acct. No.	Item.	Net Cost to 9-30-1917.	Overhead.		Cost to Reproduce.	Depreciation.		Present Value.	Annual Depreciation.	
			\$	Amount.		\$	Amount.		\$	Amount.
105	Water rights	\$10,000	.....	.....	\$10,000	....	.....	\$10,000	....	.....
106	Reservations:									
	Structures—Canoe Brook..	10,816	17.25	\$1,866	12,682	9.58	\$1,215	11,467	0.95	\$121
	Baltusrol	10,708	17.50	1,874	12,582	9.58	1,205	11,377	0.95	119
	Land—Canoe Brook	114,289	.....	.....	114,289	....	.....	114,289	....	.....
	Baltusrol	86,027	.....	.....	86,027	....	.....	86,027	....	.....
109	Springs and wells:									
	Canoe Brook	21,669	16.57	3,590	25,259	9.44	2,384	22,875	1.55	392
	Baltusrol	20,209	17.50	3,536	23,745	9.44	2,242	21,503	1.55	368
110	Infiltration galleries	7,925	17.50	1,387	9,312	14.08	1,311	8,001	0.95	88
111	Collecting conduits:									
	Canoe Brook	16,374	16.89	2,765	19,139	14.08	2,695	16,444	0.47	90
	Baltusrol	3,826	16.62	636	4,462	14.08	628	3,834	0.47	21
	Total water collect. system..	\$301,843	5.20	\$15,654	\$317,497	3.68	\$11,680	\$305,817	....	\$1,199
121	Pumping stations:									
	Canoe Brook	\$11,642	17.46	\$2,033	\$13,675	13.80	\$1,887	\$11,788	0.39	\$54
	Baltusrol	12,505	15.19	1,900	14,405	13.80	1,988	12,417	0.39	56
122	Steam pump. equipment:									
	Canoe Brook	26,632	17.02	4,534	31,166	11.76	3,665	27,501	3.48	1,084
	Baltusrol	19,071	17.50	3,337	22,408	11.76	2,635	19,773	3.48	780
124	Elect. pump. equipment:									
	Baltusrol	7,521	15.09	1,135	8,656	11.76	1,018	7,638	1.50	130
126	Miscellaneous equipment:									
	Canoe Brook	90	14.44	13	103	11.76	12	91	0.35	.....
	Baltusrol	1,452	13.98	203	1,655	11.76	195	1,460	0.35	6
	Total pumping system	\$78,913	16.67	\$13,155	\$92,068	12.38	\$11,400	\$80,668	....	\$2,110

Commonwealth Water Co.—Increased Rates.

TABLE I.—Continued.
VALUE OF PROPERTY USED AND USEFUL AS OF SEPTEMBER 30TH, 1917.

Ref. Acct. No.	Item.	Net Cost to 9-30-1917.	Overhead.		Cost to Reproduce.	Depreciation.		Present Value.	Annual Depreciation.	
			%	Amount.		%	Amount.		%	Amount.
128	Storage reservoirs:									
	Tanks and standpipes	\$29,335	17.50	\$5,133	\$34,468	14.98	\$5,163	\$29,305	0.53	\$183
	Sites for above	9,608	13.50	1,297	10,905	...	...	10,905	...	...
129	Mains	849,809	16.88	143,474	993,283	9.55	94,859	898,424	0.78	7,748
130	Services	13,664	16.09	2,199	15,863	9.79	1,553	14,310	1.37	217
131	Meters in service and stock..	49,453*	16.53	6,771	56,224*	7.58	3,617	52,607*	2.52	1,417
132	Hydrants	56,518	17.05	9,636	66,154	5.55	3,672	62,482	1.59	1,052
	Total distribution system . . .	\$1,008,387	16.72	\$168,510	\$1,176,897	9.25	\$108,864	\$1,068,033	...	\$10,617
134	General structures	\$46,473	17.35	\$8,062	\$54,535	15.00	\$8,180	\$46,355	0.63	\$344
	Office sites	9,642	13.50	1,302	10,945	...	...	10,945	...	...
135	General equipment	11,984	17.50	2,097	14,081	30.00	4,224	9,857	0.38	54
	Total miscel. properties	\$68,100	16.83	\$11,461	\$79,561	15.60	\$12,404	\$67,157	...	\$398
	Total structures	\$1,227,676	16.82	\$206,181	\$1,433,857	10.07	\$144,348	\$1,289,509	...	...
	Total real estate and water rights	229,567	...	2,599	232,166	...	...	232,166	...	...
	Total of above	\$1,457,243	14.32	\$208,780	\$1,666,023	8.68	\$144,348	\$1,521,675	...	...
	Immediate additions { C. B. station . . . . .	...	...	9,000	9,000	...	...	9,000	3.48	313
	Meters . . . . .	...	...	63,800	63,800	...	...	63,800	2.52	2,139†
	Total tangible fixed capital . . . . .	...	...	...	\$1,738,823	8.32	\$144,348	\$1,594,475	1.10	\$16,773†
	Organization franchises and other intangibles . . . . .	...	...	...	104,000	...	...	104,000	...	...
	Working capital . . . . .	...	...	...	40,000	...	...	40,000	...	...
	Total property . . . . .	...	...	...	\$1,882,823	7.67	\$144,348	\$1,738,475	...	...
							Call....	\$1,738,500	...	...

*Includes \$8,500—meters in stock which is not depreciated.
†Includes annual depreciation on amount to adjust value of meters (acquired from customers) to value new.

Commonwealth Water Co.—Increased Rates.

TABLE II.

OPERATING EXPENSES.*

Acct. No.	Name of Account.	Normal Amount.
401	Collecting system expenses—	
	(a) Water purchased	\$21,165.00
	(b) Other collecting system expenses	1,380.00
	Total account 401	\$22,545.00
403	Pumping system expenses—	
	(a) Operating labor	\$8,250.00
	(b) Fuel	15,131.00
	(c) Power purchased	4,199.00
	(d) Miscellaneous supplies and expenses	1,300.00
	Total account 403	\$28,880.00
405	Repairs, water collection system	578.00
407	Repairs, pumping system	430.00
	Total accounts 403, 405 and 407	\$29,888.00
404	Distribution expenses	\$2,821.00
408	Repairs, distribution system	11,435.00
	Total accounts 404 and 408	\$14,256.00
409	General repairs	\$1,090.00
411	Administration expenses	\$10,731.00
412	Accounting and commercial expenses	\$14,110.00
413	Business promotion expenses	\$149.00
414	Legal expenses	438.00
415	Injuries and damages .....	.....
416	Insurance	971.00
	Total accounts 413 to 416	\$1,558.00
421	Miscellaneous general expenses	\$141.00
423	Uncollectible water bills	\$697.00
506	Non-operating revenue deductions	\$457.00
	Total	\$95,473.00

*Based on average prices of labor and fuel, 1915 and 1916, and quantities of 1917.

Commonwealth Water Co.—Increased Rates.

TABLE III.

DETERMINATION OF TOTAL COST OF SERVICE.

Cost of reproduction, less depreciation	\$1,738,500	
Return on capital, 7 per cent.		\$121,696
Taxes—		
Property tax, 2¼ per cent.	\$37,127	
Internal revenue tax (1917 rate)	2,000	
Franchise tax	11,300	
		50,427
Annual depreciation		16,776
Normal operating expenses		95,472
Total cost of service		\$284,371

TABLE IV.

MISCELLANEOUS REVENUES.

Interdepartmental charges for part of old Summit office building and electric laboratory in new Summit office building. (Maintenance cost is charged direct to various departments)	\$2,575
Additional charge to "Construction Reserve" account for use of offices and equipment for construction purposes and allowed in overhead charges	800
Rents from miscellaneous buildings	923
Street sprinkling revenue	700
Water for sewer flushing included in metered sales .....	....
Miscellaneous transient water service	787
On and off charges	86
Customers' extension guarantees and profit from sale of material from stock	300
Total	\$6,171
Taken as	\$6,200

Commonwealth Water Co.—Increased Rates.

TABLE V.
SUBDIVISION OF FIRE CHARGES BY MUNICIPALITIES BASED ON THE LENGTH OF MAINS EXISTING DECEMBER 31st, 1917, AND SHOWN ON EXHIBIT P-84.

Municipality.	Population.	Inch-Feet.		Number of Hydrants.	Fire Service Charges		Total.
		Trans. 10" and over.	Dist. 8" and under.*		Hydrants at \$6.00.	Inch-Feet at \$0.006	
New Providence	1,090	17,043	187,752	40	\$240	\$1,220	\$1,460
Summit	9,040	140,151	924,318	231	1,386	6,387	7,773
Springfield	150	3,896	.....	2	12	23	35
Millburn	3,500	90,858	266,156	71	426	2,142	2,568
South Orange	3,924	138,249	679,912	120	720	4,909	5,629
West Orange	13,843	371,358	1,226,244	324	1,944	9,586	11,530
Irvington	16,511	619,661	1,144,038	263	1,578	10,582	12,160
Total	48,058	1,381,216	4,428,420	1,051	\$6,306	\$34,858	\$41,164
Deduct charge for mains installed between September 30th, 1917, and December 31st, 1917							
						227	227
Total charge for fire service as of September 30th, 1917							
					\$6,306	\$34,631	\$40,937

*Includes no sizes smaller than 4-inch.

Commonwealth Water Co.—Increased Rates.

TABLE VI.

DETERMINATION OF FIXED CHARGES FOR DOMESTIC SERVICE.

Ref.	Size of Meter.	Capacity Ratio.	Fixed Serv- ice Charge Per Meter Per Year.	Number Meters in System.	Fixed Service Revenue.
Ex. P-13					
Ex. R-42					
	5/8-inch.....	1.0	\$4	8,454	\$33,816
	3/4-inch.....	1.7	7	123	861
	1-inch.....	3.6	14	135	1,890
	1 1/2-inch.....	9.0	36	32	1,152
	2-inch.....	12.0	48	66	3,168
	3-inch.....	29.0	116	5	580
	4-inch.....	42.0	168	14	2,352
	6-inch.....	79.0	316	12	3,792
	Flat.....	....	4	639	2,556
	Per Annum			9,480	\$50.167
	78 sewer flush tanks, at \$2.00*				156
					\$50.323

*Fixed service charge for sewer flush tanks determined at \$2.00 because the water used for flushing is measured by a calibrated orifice in a diaphragm, thus eliminating the use of a meter, which accounts for approximately one-half of the yearly fixed charge of \$4.00 for a 5/8-inch meter.

Commonwealth Water Co.—Increased Rates.

TABLE VII.

DETERMINATION OF TOTAL REVENUE TO BE DERIVED FROM PROPORTIONAL CHARGES FOR DOMESTIC SERVICE.

Total revenue required (Table III.)	\$284,371
Deduct miscellaneous revenues (Table IV.)	\$6,200
Deduct total charge for fire service (Table V.)	40,937
	<u>47,137</u>
Total revenue to be derived from domestic service	\$237,234
Addition to operating expenses due to bringing the midpoint of the water year from July 1st, 1917, to October 1st, 1917, the date of the appraisal	1,035
	<u></u>
Total as adjusted	\$238,269
Amount to be derived from fixed service charges (Table VI.)	\$50,167
Amount to be derived from sewer flush tanks fixed serv- ice charges (Table VI.)	156
	<u></u>
	\$50,323
Deduction for saving in cost of coal due to saving in amount of water furnished flat-rate consumers to be metered—5.8 million cu. ft., say 44 million gallons. Cost of coal in 1917 was $\$24,244 \div 966 = \25 ; actual saving probably will be less or say \$22 per million gallons	1,000
	<u></u>
Total to be deducted	51,323
	<u></u>
Total revenue to be derived from proportional charges for domestic service	\$186,946

Commonwealth Water Co.—Increased Rates.

TABLE VIII.

ANALYSIS OF FINANCIAL RESULTS—OLD AND NEW SCHEDULES.

Results Obtained Under Old Schedule in Years 1915, 1916 and 1917, and Results Estimated Under New Schedule for Year Ending April 1st, 1918.

	Results of Operation Under Old Schedule of Rates.*		Estimated Results Under New Schedule of Rates.†
	Average 1915-1916.	1917.	
Total water operating revenue...	\$226,201.00	\$230,645.45	\$284,371.00
Total operating expenses	93,081.00	111,842.23	95,472.00
Taxes—Property and personal..	\$13,751.00	\$19,828.74	\$37,127.00
Franchise	3,581.00	3,839.59	11,300.00
U. S. internal revenue..	612.00	1,616.66	2,000.00
Total taxes	\$17,944.00	\$25,284.95	\$50,427.00
General amortization	\$13,389.00	\$14,434.95	\$16,776.00
Total revenue deductions	124,412.00	151,562.13	162,675.00
Net revenue as reported	101,788.00	79,083.32	.....
Net revenue after making ad- justments for farm expenses, rent revenue, construction overhead, etc.	110,740.00	88,035.00	121,606.00
Depreciated value of all prop- erty (appraisal of 9-30-17, ad- justed)	1,400,000.00	1,611,000.00	1,738,500.00
Per cent. return—on depreciated value of property	7.90%	5.46%	7%

*All items shown for average of 1915 and 1916 and 1917 in these columns up to and including "Net Revenue as Reported" are derived from Annual Reports of Company to this Board.

†Adjusted for year ending April 1st, 1918.

Commonwealth Water Co.—Increased Rates.

TABLE IX.
COMPARISON OF FIRE CHARGES BY MUNICIPALITIES—OLD AND NEW SCHEDULE.

Municipality.	Fire Charges—New Schedule.										Local Property and Franchise Taxes Levied 1917.†
	Hydrants 1917.		500 Ft. Hydrants Spacing.		Fire Charges 1917.		Present Spacing.		500 Spac- ing.		
	Mains 4 Inches and Over—Feet.	Number.	Spacing —Feet.	Number Hydrants	500 Ft. Spacing.	Total.	Per Hydrant.	Total.	Per Hydrant.	Total.†	
New Providence..	32,104	40	800	64	\$800	\$25.00	\$1,469	\$36.70	\$1,661	\$26.00	\$464
Summit	199,616	231	865	400	4,620	20.00	7,773	33.68	9,125	22.80	4,400
Springfield	3,512	2	1,750	7	50	25.00	35	17.50	75	10.70	107
Millburn	100,649	71	1,425	202	1,775	25.00	2,568	36.20	3,616	17.90	4,243
South Orange ...	135,646	120	1,130	271	2,700	22.00	5,629	46.80	6,837	25.20	2,662
West Orange	206,799	324	640	415	8,100	25.00	11,530	35.60	12,258	29.55	5,387
Irvington	198,744	263	755	396	5,260	20.00	12,160	46.30	13,224	33.40	4,700
Total	877,060	1,051	835	1,755	\$23,305	\$22.17	\$41,164*	\$29.10	\$46,796	\$26.65	\$21,963
Estimated property and franchise taxes—based on rate of 2¼ per cent. (for local property tax) on property as of 9-30-17, plus 4¾ per cent. franchise tax.....											
Increase—Estimated over present charges—Taxes										\$48,427	
Increase—Estimated over present charges—Fire charges—Present spacing average 835 feet										26,464	
Increase—Estimated over present charges—Fire charges—500 foot spacing										17,859	
Increase—Estimated over present charges—Fire charges—500 foot spacing										23,491	

*Actual total—(\$41,164), from which \$227 should be deducted for mains installed from 9-30-17, to 12-30-17.

†Additional hydrants required for 500-foot spacing included at \$8 per year per hydrant.

‡Total includes local property tax at 2.242 per cent. (weighted average rate) on \$807,940 of assessed valuation plus 2 per cent. franchise tax.

Commonwealth Water Co.—Increased Rates.

TABLE X.
COMPARISON OF DOMESTIC CONSUMERS' BILLS.

Typical Consumer.	Quarterly Consumption—Cu. Ft.	Size of Meter.	New Schedule.						Old Schedule.					
			Summit.			West Orange.			Irvington.			Total Bill Modified to Include Meter Charge.		
			Output Chg.			Output Chg.			Output Chg.			Total Bill, No Meter Charge.		
			Rate.	Amount.	Total Bill.	Meter Rent.	Min. Chg.	Rate.	Min. Chg.	Meter Rent.	Total Bill.	Min. Chg.	Rate.	Amount.
A....	.....	½-in.	\$1.00	.....	\$1.00	\$0.65	\$1.875	\$2.00	\$2.65	\$0.65	\$2.03	\$2.02	\$1.90	\$1.90
B....	1,000	¾-in.	1.00	\$1.75	2.75	0.65	1.875	2.00	2.65	0.65	2.65	2.02	2.02	2.02
C....	2,000	¾-in.	1.00	3.50	4.50	0.65	1.875	3.75	4.40	0.65	4.65	2.02	2.02	4.04
D....	3,000	¾-in.	1.00	5.25	6.25	0.65	1.875	5.63	6.28	0.63	6.45	2.02	2.02	6.06

Between 75 and 80 per cent. of the revenue for domestic service is derived from the rates under A, B, C and D. The charges to consumers to whom the intermediate, manufacturing and special rates apply and from whom 20 to 25 per cent. of revenue, for domestic service is received, are more or less increased, the amount depending considerably on the size of meter used and hence the regularity of the demand. This may vary from a small percentage to as much as 75 per cent. for some of the largest consumers.

(*) No meter rental has ever been charged in Irvington because all consumers were required to purchase water meters. In the last column, the amount charged other customers for meter rent has been added in order to get a total comparable with that chargeable under new schedule. The consumers no longer being required to purchase meters.

Commonwealth Water Co.—Increased Rates.

SUPPLEMENTAL REPORT.

On December 30th, 1918, the Board issued a report in the above matter, permitting the petitioner to file certain schedules of rates indicated therein. It is believed that it would not be unjust to the company and would be in the fair interest of the consumer for these schedules to provide that a larger proportion of the total metered water sold shall be included in the first block of water consumed (from 0 to 10,000 cu. ft. per quarter) and a smaller percentage in each of the larger blocks.

It is therefore RECOMMENDED that the company file an amendment to the schedule numbered "II, (b) Consumption Charge" providing for the following block rates, viz.:

1st. For the first 10,000 cubic feet in the quarter, \$1.70 per thousand cubic feet.

2d. For the excess over 10,000 cubic feet and up to and including 100,000 cubic feet in the quarter, \$1.35 per thousand cubic feet.

3d. For the excess over 100,000 cubic feet and up to and including 1,000,000 cubic feet in the quarter, \$1.05 per thousand cubic feet.

4th. For the excess over 1,000,000 cubic feet in the quarter, \$0.85 per thousand cubic feet.

Dated January 14th, 1919.

New Jersey Junction Railroad Co.—Alteration of Grade Crossing.

No. 654.

IN THE MATTER OF MODIFICATION OF THE BOARD'S ORDER, FILED
FOLLOWING APPLICATION OF THE NEW JERSEY JUNCTION
RAILROAD COMPANY, OWNER, AND THE NEW YORK CENTRAL
RAILROAD COMPANY, LESSEE, FOR THE ALTERATION OF THE
GRADE CROSSING OF NEW FERRY ROAD, WEST NEW YORK.
AND THE TRACKS OF SAID RAILROAD.

Plans upon which a railroad company was ordered to alter a crossing at grade are ordered modified, it appearing that such modification will provide for a more desirable entrance into an industry adjoining the railroad and that the parties in interest have agreed in the matter.

Albert C. Wall, for the petitioner.

The New York, Ontario & Western Railroad Company filed a petition asking for modification of the Board's order of January 29th, 1918, in the matter of the alteration of the grade crossing of New Ferry Road, West New York. The petition was accompanied by a map or plan showing in general what is desired in the way of alteration to the structure. The petition describes correctly the changes requested and sets forth the reasons therefor.

Several hearings were held at Newark, and objections were made to some of the minor features in the plan accompanying the petition. A revised plan was prepared and submitted at a hearing on December 12th, 1918. This revised plan is entitled "Plan showing Revisions desired by N. Y. C. R. R. and A. C. O. Co. in scheme submitted with petition of N. Y. O. & W. R. R. at West New York, Scales Indicated, Approved N. Y. C. R. R. by J. W. Pfau, Engineer of Construction, New York, November 19, 1918. Approved American Cotton Oil Co., by Henry Guttin, Engineer. Randolph Catlin, Secretary, Approved N. Y. O. & W. R. R. by J. H. Nuelle, Chief Engineer." The plan also carries the number "62398." Some points in this plan requiring elucidation were referred back to the railroad, who answered them through its district engineer in a letter dated December 17th, 1918. The

New Jersey Junction Railroad Co.—Alteration of Grade Crossing.

plan was favorably reported by the Chief Engineer of the Division of Bridges and Grade Crossings of this Board with the recommendation that the plan be adopted.

The modification as shown on this plan is confined entirely to the easterly approach. It consists in substituting an open viaduct about 110 feet long extending eastward from the easterly abutment over the railroad to a point just north of the New York, Ontario & Western Railroad Company's coal trestle, and provides for carrying the approach from the American Cotton Oil Company's factory westward of the main approach to the bridge instead of eastward, together with such modification in grades, walls, etc., as are incident to the change. The roadway on this change of approach is 18 feet wide, the same as it was before. The bents carrying the New York, Ontario & Western Railroad Company's coal trestle over this roadway, are to be removed and a span giving the clear width of the roadway substituted. Where this approach passes under the main easterly approach, a clear width of 33 feet is provided.

The revision provides for a more desirable entrance into the industry adjoining the railroad, and the parties in interest have agreed in the matter. The cost is found to be about the same as the structure originally designed would have been. The Board therefore finds that the modification is reasonable and proper, and will make an order modifying the original plans accordingly.

Dated December 31st, 1918.

ORDER.

This matter having been duly heard and the Board having on December 31, 1918, made and filed a report containing its findings of fact and conclusions thereon, which report, by reference thereto herein, is made part hereof, HEREBY ORDERS AND DIRECTS that the original plan approved by the Board "In the matter of the application of the New Jersey Junction Railroad Company, owner, and the New York Central Railroad Company, lessee, for the alteration of the grade crossing of New Ferry Road, West New York, and the tracks of said railroad," be modified by substituting an open viaduct easterly from the east abutment of the proposed

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bridge over the railroad for a distance of 110 feet for the solid fill and for carrying the approach to the American Cotton Oil Company from the southerly end of the easterly approach to the main bridge west of said westerly approach instead of east of it, as shown on a plan, a copy of which is hereto attached, entitled "Plan showing revisions desired by N. Y. C. R. R. and A. C. O. Co. in scheme submitted with petition of N. Y. O. & W. R. R. at West New York, Scales indicated, Approved N. Y. C. R. R. by J. W. Pfau, Engineer of Construction, New York, November 19, 1918, Approved American Cotton Oil Co., by Henry Guttin, Engineer, Randolph Catlin, Secretary, Approved N. Y. O. & W. R. R. by J. H. Nuelle, Chief Engineer," No. 62,398, in so far as it applies.

This order shall become effective January 23d, 1919.

Dated December 31st, 1918.

No. 655.

JOSEPH SHANHOLTZ AND SAMUEL GINDIN

vs.

PUBLIC SERVICE GAS COMPANY.

A gas company is ordered to extend its facilities and supply service, it appearing that a return of between six and seven per cent. will be afforded upon the investment.

Russell E. Watson, for the petitioners.

L. D. H. Gilmour, for Public Service Gas Company.

The petitioners are the owners of six two-family houses on Florence Street, in the City of New Brunswick, New Jersey.

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They desire an extension of the gas main for a distance of 204 feet to provide gas for twelve families living in said houses. The houses are all piped ready to be served with gas and all occupied by tenants.

Florence Street is 50 feet in width and extends in a southerly direction from Somerset Street to French Street. The gas mains of the Public Service Gas Company extend to the intersection of Somerset Street with Florence Street. The petitioners insist that the desired extension is reasonable and practicable and will furnish sufficient business to justify the construction and maintenance of it.

The company's answer sets forth that it "should not be required to make the extension under existing conditions, especially in view of the recommendation of the Capital Issues Committee of the National Government," and further "as all the occupants of the houses along the proposed extension are using electricity for light, oil for cooking in the summer and coal in the winter, the lack of service will not create any hardship and the company believes the question of the extension should not be taken up until normal conditions prevail."

Hearing was held in Newark, December 19, 1918, at which time it was established that the desired extension would require the installation of 204 feet of gas pipe in Florence Street, connecting with the company's existing main in Somerset Street.

The company prepared an estimate of the cost of the proposed extension and figured on installing a 6-inch main. In the opinion of the Board's inspector only a 4-inch main would be necessary, but the extra size is considered good judgment to meet future demands.

The actual cost of the extension including services and meters would be \$452.28; the plant investment would be \$360.00, making a total investment of \$812.28. The estimated revenue to the company is at least \$232.80 per annum. The cost of furnishing service based on the company's report to the Board for the year 1917 is as follows:

For 240,000 cubic feet of gas at \$0.4774 per thousand is \$114.58.

The commercial cost for twelve customers at \$3.36 each, \$40.32.

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And then allowing one and a half per cent. for depreciation on the investment is \$12.18.

Seven-tenths of one per cent. of the investment for taxes, \$5.69.

And interest at six per cent., \$48.74.

Making the total cost of furnishing service \$221.51; as against the estimated revenue of \$232.80.

This shows a return of between six and seven per cent. on the investment.

The company admits that ordinarily it would make this extension without cavil but insists that general financial conditions are such that the extension should not be ordered at this time. To this we cannot assent. The recommendations of the Capital Issues Committee of the National Government were withdrawn the latter part of November and the committee itself disbanded on or about December 31, 1918.

The Board finds and determines:

That the extension of 204 feet of gas main on Florence Street aforesaid is reasonable and practicable and will furnish sufficient business to justify the construction and maintenance of the same.

The financial condition of the Public Service Gas Company is not raised in the proceeding. Its reports filed with the Board all show the financial condition of the said public utility reasonably warrants the original expenditure required in making and operating the extension.

An order will accordingly issue.

Dated January 7th, 1919.

ORDER.

This case being at issue, upon complaint and answer on file, and having been duly heard and submitted by the parties, and full investigation of the matters and things involved having been had, and the Board having, on the date hereof, made and filed a report containing its findings of fact and conclusions thereon, which said report is hereby referred to and made a part hereof,

The Board of Public Utility Commissioners HEREBY ORDERS the Public Service Gas Company to extend its gas main on Florence Street, in the City of New Brunswick, to supply service to six

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two-family houses owned by Joseph Shanholtz and Samuel Gindin, and located on said street, the length of the extension being approximately two hundred and four feet (204 ft.) from the Public Service Gas Company's main now in Somerset Street in the said City of New Brunswick.

This order shall become effective January 31st, 1919.

Dated January 7th, 1919.

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No. 656.

IN THE MATTER OF THE APPLICATION OF THE CONSOLIDATED
GAS COMPANY OF NEW JERSEY FOR FURTHER RATE IN-
CREASES.

A company supplying gas and electricity is allowed to make emergency increases in its gas and electric rates to cover increased costs of operation.

Fred. R. Cutcheon and H. C. Abell, for the petitioner.

J. D. Carton, for the City of Asbury Park.

W. A. Sterens, for the City of Long Branch.

J. S. Applegate, for Red Bank and Township of Shrewsbury.

In its petition, the company asks the Board's approval of schedules of increased rates for gas and electricity supplied in the following municipalities in Monmouth County, viz.: City of Long Branch, Boroughs of West Long Branch, Monmouth Beach and Seabright, Townships of Ocean and Eatontown, and of increased rates for gas in the following municipalities in Monmouth County in which gas only is supplied: City of Asbury Park, Boroughs of Red Bank, Bradley Beach, Allenhurst, Deal and Fairhaven, and Townships of Neptune and Shrewsbury.

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The petitioner alleges as a reason for asking further additional increases in rates that operating costs have increased considerably both for labor and material since its last application was considered by the Board. The increased rates for which the Board's approval is asked are as follows: "A 'War Surcharge' of twenty cents per thousand cubic feet on all gas sold and a 'War Surcharge' of one cent per kilowatt hour on all electricity sold, these surcharges to replace those now in effect and to take effect immediately upon approval by the Board."

The company states that it served copies of its petition on the Mayors of Long Branch, Asbury Park and Red Bank. The Secretary of the Board, on November 8th, gave notice to the officials of the municipalities above mentioned that the company had applied for the Board's approval of an increased schedule of rates for gas and electricity, which notice stated the time and place of the hearing.

It is apparent that this application is simply a continuation of the first petition filed by the company for approval of increased rates, a report on which was filed by the Board on April 29th, 1918. It is, therefore, necessary to consider only the increased operating expenses incident to the period of high prices prevailing during the past year. At the request of the Board's engineer, the company submitted Exhibits P-18 and P-19, which showed (for the electric and gas departments, respectively) increased expenses due to increased taxes, and greater unit prices for labor and materials than were assumed by the Board in its report of April 29, referred to.

SURCHARGE TO BE ADDED TO THE SCHEDULE OF GAS RATES AS SET FORTH IN THE BOARD'S REPORT DATED JULY 25th, 1911.

We will first consider the schedule of rates for the gas department of the petitioner.

In its Exhibit P-19, the company submitted a statement showing first the cost of generator and boiler fuel, oil and labor at what it assumed to be the unit prices used by the Board in its former determination, to which it also added taxes. This indicated, on

Consolidated Gas Co. of New Jersey—Increased Rates.

the basis assumed by the company, a total cost for the year 1918 for the items enumerated of \$219,000.31, or 82.7 cents per thousand cubic feet of gas sold. The same items on the basis of costs existing in November, 1918, are also shown to aggregate \$257,742.79, or 97.34 cents per thousand cubic feet, indicating an increase of 14.64 cents over and above the surcharge heretofore allowed by the Board in its former report in this matter. This, added to the surcharge heretofore permitted by the Board's report, would indicate a total increase above normal conditions of upwards of 20 cents per thousand cubic feet.

The company, however, was in error with respect to the unit cost of boiler fuel, as it assumed that the Board did not consider the cost of handling. The cost of handling boiler fuel at that time was taken care of in the Board's former report, so that the total increase is not so great as indicated by P-19. Even with this adjustment made, however, it is apparent that the relief to the extent of 20 cents per thousand cubic feet asked for should be given the company.

The increase in taxes aggregates about \$10,000. A large part of this increase is due to the charge imposed by the law with respect to franchise taxes, the percentage having increased from 2% of the gross revenue of the company, effective in 1917, to 4% in 1919.

SURCHARGE TO BE ADDED TO THE SCHEDULE OF ELECTRIC RATES AS SET FORTH IN THE BOARD'S REPORT DATED JULY 25th, 1911.

We will next take up the schedule of rates for electricity. The increased costs since the Board's last determination of the matter are shown on the company's Exhibit P-18. This exhibit purports to show that taxes and the cost for boiler fuel and labor for 1918, based on taxes and the Board's unit prices for materials and labor in its former report, aggregate \$73,977.79, or 4.65 cents per kilowatt hour of current sold, and that on the basis of cost for boiler fuel and labor prevailing in November, 1918, and of taxes estimated for 1918 would aggregate a total of \$87,482.74, or an average of 5.51 cents per kilowatt hour, an increase of 0.86 cents per kilowatt hour over and above the amount purporting to rep-

In re Petition—New York Telephone Co. et al.—For Merger, etc.

resent the Board's former determination. This, added to the surcharge heretofore allowed by the Board, would be something over one cent per kilowatt hour. The same improper assumption with respect to handling was made in this exhibit. When this figure is adjusted it will indicate that the total surcharge, applied to the rates determined by the Board in 1911, would be almost precisely one cent per kilowatt hour.

CONCLUSIONS.

The Board finds and determines:

1. (a) That the schedule of rates for emergency surcharges asked for by the company are reasonable and may be filed, subject to the following conditions:

(b) That the company shall print on its gas bills the following clause: "Less 10 cents per thousand cubic feet on this bill if paid within ten days after the bill is rendered."

2. The surcharges herein allowed may be effective from the date of this report, subject to all other conditions contained in the Board's report of April 29th, 1918.

Dated January 7th, 1919.

No. 657.

IN RE PETITION OF NEW YORK TELEPHONE COMPANY, DELAWARE AND ATLANTIC TELEGRAPH AND TELEPHONE COMPANY, AND ATLANTIC COAST TELEPHONE COMPANY, FOR MERGER, ETC.

Application is made by the New York Telephone Company, the Delaware and Atlantic Telegraph and Telephone Company and the Atlantic Coast Telephone Company for consolidation in one cause of proceedings involving mergers of the companies, and investigations of rates of two of the companies. Application is also made for an investigation of a proposed plan of the petitioners for the formation of a new company, a determination of the fair value, the combined assets and the amount of capitalization to be issued therefor; also of the probable results of operation with a view of determining just and reasonable rates for service to be charged. *Held—*

In re Petition—New York Telephone Co. et al.—For Merger, etc.

1. Not only would the prayer of the petition require an extended and costly reinvestigation of a matter in which a determination has been recently arrived at, but if such reinvestigation was made the effectiveness of the conclusion reached therein might be the subject of controversy, because of the recent assuming of control by the federal government. •

2. The petition as filed presents serious questions which the Board did not have in contemplation when at an informal conference it stated its readiness to act preliminarily and in a definite advisory way in advance of the actual entry into and presentation of a concluded agreement of consolidation.

3. The Board must decline to act as prayed by the petition.

J. L. Swayze and R. V. Marye, for the petitioners.

L. Edward Herrmann, for the Board.

The joint petition of the New York Telephone Company, Delaware and Atlantic Telegraph and Telephone Company and Atlantic Coast Telephone Company, filed on February 15th, 1918, refers to four separate proceedings theretofore had by the various petitioners before this Board, as follows:

1. In re merger of New York Telephone Company and Atlantic Coast Telephone Company.

2. In re merger New York Telephone Company and the Delaware and Atlantic Telegraph and Telephone Company.

3. In re inquiry as to the justice and reasonableness of the rates of New York Telephone Company.

4. In re inquiry as to the justice and reasonableness of the rates of the Delaware and Atlantic Telegraph and Telephone Company.

In the first proceeding this Board approved of the agreement of merger and consolidation, and on July 26th, 1917, issued a certificate granting approval. No steps have been taken, however, to effect the merger and consolidation. The petition alleges as a reason for the failure to effect the merger so heretofore authorized, that the New York Telephone Company has no property in the territory in which the Atlantic Coast Telephone Company operates, and that the petitioners have awaited the decision of this Board in the matter of the application of New York Telephone Company and the Delaware and Atlantic Telegraph and Telephone Company to approve of a merger and consolidation of these

In re Petition—New York Telephone Co. et al.—For Merger, etc.

two companies, the property of the Atlantic Coast Telephone Company being included in the territory in which the Delaware and Atlantic Telegraph and Telephone Company operates. The object and purpose of the two applications is to combine in the New York Telephone Company full ownership and control of all properties in the State of New Jersey owned, operated and belonging to the three petitioners in the present proceeding.

The Board on November 20th, 1917, disposed of the second application above referred to, and withheld its approval of the agreement for merger and consolidation of the New York Telephone Company and the Delaware and Atlantic Telegraph and Telephone Company. An extract from this Board's report in this matter is as follows:

“In the judgment of the Board consolidation of the properties in question should be limited to the property located within New Jersey, thus segregating the property within New Jersey from the property without that State, and thereby creating a unit wholly within that State. Such segregation and consolidation of properties should be effected through the transfer thereof to a corporation organized under the laws of the State of New Jersey. Instead, however, of dismissing the petition, the Board will hold the same, with leave either to amend in accordance with the views herein expressed, or to file a new petition in conformity therewith. On such amended or new petition, the Board will determine the value of the property for purposes of capitalization, using therefor the findings as to value in the proceedings relating to the rates of the companies respectively.”

In the matter of inquiry as to the justice and reasonableness of the rates of the New York Telephone Company (the third of the proceedings above referred to) this Board on November 20th, 1917, found the existing rates to be unjust and unreasonable, and ordered a reduction in the net revenue of the New York Telephone Company of at least \$800,000. An order was made requiring the New York Telephone Company to submit, within 60 days thereafter, tariffs which would effect annually a reduction in the net revenue of said amount.

In re Petition—New York Telephone Co. et al.—For Merger, etc.

In the fourth proceeding, viz., the inquiry as to the justice and reasonableness of the rates of the Delaware and Atlantic Telegraph and Telephone Company, this Board, on November 20th, 1917, found the value of the property and the net revenue from operation, and as to the then existing rates of said company, said:

“Rates which produce a return so limited cannot be held to produce excessive rates and to be unjust and unreasonable. No order disturbing the existing rates will, therefore, be entered.”

The petitioners in the present proceeding allege that owing to the increased cost of labor and material since the year 1916, the return of net revenue of the Delaware and Atlantic Telegraph and Telephone Company has constantly decreased until it is now operating at a deficit.

The petitioners further allege that it is their desire and intention to carry out the suggestions of this Board contained in its report of November 20th, 1917, in the matter of merger of the New York Telephone Company and the Delaware and Atlantic Telegraph and Telephone Company, and that the action of the respective directors and stockholders, which were filed as exhibits in said proceeding had been rescinded; that various other preliminary steps in a plan for the formation of a new company under the laws of this State had been taken, to which new company all of the properties, franchises and privileges of the petitioners in the State of New Jersey could be transferred, and for which capital stock was contemplated to be issued equal to the combined valuation ascertained by this Board in the former proceedings. The petitioners, however, further set forth that inasmuch as the necessary costs and expenses incidental to the formation of such a new company are large and other questions relating thereto are serious, they do not desire to take the final steps thereon unless and until they shall have obtained in advance of the making and presentation of a formal agreement the full approval of this Board.

The prayer of the present petition is as follows:

“Wherefore your petitioners pray that this honorable Board may:

In re Petition—New York Telephone Co. et al.—For Merger, etc.

“1. Consolidate all of the above-mentioned matters into one cause or proceeding.

“2. Investigate the proposed plan of the petitioners for the formation of a new company and determine the fair value of combined assets and the amount of capitalization to be issued therefor.

“3. Investigate the probable result of operation of the said corporation with a view of determining the just and reasonable rates for service to be charged thereby.

“4. Hereafter make such order or orders as to the Board may seem just.”

The petition was filed following an informal conference held on February 5th, 1918, by the Board with counsel for the petitioners. The difficulties in effecting a merger and consolidation of the properties were outlined by the petitioners who sought to ascertain whether this Board would, in advance of the formation of the proposed new corporation, approve of a plan which would be presented and which would include the consolidation and merger of the New York Telephone Company and Atlantic Coast Telephone Company as heretofore approved by this Board, and the proposed consolidation of the property of the New York Telephone Company with the Delaware and Atlantic Telegraph and Telephone Company. Recognizing the intricacies and complexities of a matter of such magnitude the Board expressed at this informal conference its willingness to aid in any way possible, and indicated that it would entertain a petition in which the plan of merger and consolidation might be presented in advance of the actual entry into an agreement of consolidation. A petition was accordingly filed. The petition as filed, however, and the relief prayed for therein are very much more extensive than the Board anticipated, in that it seeks, and that the grant of its prayer would require an extensive rate investigation. Such an investigation the Board, would at this time, be unwilling to undertake. The protracted proceeding in the investigation of the justice and reasonableness of the rates of the New York Telephone Company was concluded in November, 1917. Since that time the company has filed amended tariffs. The rates promulgated by these amended tariffs have only recently been made effective.

It already appears by the reports required to be filed with this

Belvidere-Delaware Bridge Co.—Condition of Bridge—Belvidere.

Board that such rates have not, and will probably not, in the future, effect the reduction in net revenue required to be made by the Board's former order.

Not only would the prayer of the petition require an extended and costly reinvestigation of a matter in which a determination has but recently been arrived at, but if such reinvestigation was made the effectiveness of the conclusion reached therein might be the subject of controversy, because of the recent assuming of control of the property by the Federal Government.

The petition as filed presents, as indicated, serious questions which the Board did not have in contemplation when at the informal conference it stated its readiness to act preliminarily and in a definite advisory way in advance of the actual entry into and presentation of a concluded agreement of consolidation.

For these reasons the Board must now decline to act as prayed by the petition.

Dated January 7th, 1919.

No. 658.

IN THE MATTER OF THE CONDITION OF BRIDGE OF THE BELVIDERE-DELAWARE BRIDGE COMPANY AT BELVIDERE, NEW JERSEY.

It appearing that a toll bridge, over which the Board has jurisdiction, is in such condition as to be dangerous to the public, alterations and repairs are specified and ordered, and the bridge is ordered closed to public travel, not to be reopened until certain of the repairs are made.

L. DeWitt Taylor and *Wm. J. Burd*, for the company.

Charles A. Mead, for the commission.

A report dated July 18th, 1918, signed H. W. Mixsell, inspector, and Charles A. Mead, Chief Engineer, Division of Bridges

Belvidere-Delaware Bridge Co.—Condition of Bridge—Belvidere.

and Grade Crossings, was submitted to the Board. This report was of the annual inspection of the toll bridge over the Delaware River at Belvidere, New Jersey, belonging to the Belvidere-Delaware Bridge Company. The report contained certain recommendations: (1) for work to be done at once; (2) for work to be done before September 1st, 1918, and (3) for work to be done during the year following. A copy of this report was sent to the Belvidere-Delaware Bridge Company which was requested to advise the Board as to its position upon the recommendations. No attention was paid to this request and a second communication was sent to the company calling attention to the recommendations of the Board's Engineer. In answer to this the treasurer of the company wrote to the Board stating:

"The recommendations contained in your inspection report have for the most part been complied with. The repairs which have not been made will be attended to promptly."

A second report dated November 23d, signed by Messrs. Mixsell and Mead, was submitted to the Board. This stated that the recommendations had not been satisfactorily complied with and the report contained recommendations that steps be taken at once to repair permanently cracked bridge seats; that the back wall on the New Jersey abutment be repaired at once; bridge seats cleaned and as soon as possible stringers should be bolted to the floor beams.

On November 26th a copy of this report was sent to the company, which was requested to state its position with respect to the recommendations. This was ignored and a second communication directing attention to the recommendations was sent. In answer the treasurer of the company wrote:

"The matter of repairs was brought to the attention of our Board of Directors and an endeavor was made to have the repairs made as recommended by your inspector. On account of the scarcity of labor and the prevailing epidemic of influenza, we have been entirely unable to procure the necessary help to attend to these matters, but assure you that it is our intention to keep the bridge in a safe condition for travel and also to follow out any suggestions that your inspectors make."

Belvidere-Delaware Bridge Co.—Condition of Bridge—Belvidere.

This letter was referred to the Board's Chief Engineer of Bridges and Grade Crossings who submitted a report dated December 30th, which report stated:

"An inspection was made of this bridge on December 29th because its condition was considered serious. Dr. Burd of Belvidere, one of the directors of the bridge company, was present at the time the inspection was made, and his attention was directed to the points of immediate danger, and he was told that there was grave danger of the third span from the New Jersey end falling into the river without warning, and he was advised to suspend traffic on it until repairs were made. The upstream support of the East end of the third span has cracked so badly that there is every indication that its complete failure is imminent. In the interest of safety, traffic should be suspended until adequate repairs are made. Concerning the other recommendations, repairs should be made at the points indicated following the very urgent repairs to the support of the third span."

A copy of this report was forwarded to the Belvidere-Delaware Bridge Company and the company was advised that the Board would at a meeting to be held by it, at the State House, in the City of Trenton, on Tuesday, January 7th, at eleven A. M., hold a hearing for the consideration of the question what order if any should be issued by the Board for the protection of the public using the bridge.

Hearing was held at the time and place mentioned and testimony was given by Mr. Mead to the effect that the condition of the bridge is such as to make it unsafe for travel. The company was represented at the hearing. A statement was made by the company's representative that an effort had been made to have present an engineer who had examined the bridge for the company and who would, if present, testify that it was not necessary to close the bridge to traffic except for a period of three days during which repairs were being made. The engineer did not appear and no definite assurance was given of the date when the repairs would be undertaken.

Belvidere-Delaware Bridge Co.—Condition of Bridge—Belvidere.

In the absence of any expert testimony to the contrary the Board must accept the testimony of its engineer as being uncontradicted.

Chapter 298, N. J. P. L. 1913, provides:

“In addition to the powers already vested in the Board of Public Utility Commissioners by the act to which this is a supplement, the said Board shall be vested with power, and it shall be their duty to investigate the conditions and charges, rates and exactions now existing in the management and operation of the toll bridges now existing in this State, whether located entirely within this State or connecting this State with any adjoining State and where in their judgment, after proper investigation upon their own initiative or upon petition by at least ten freeholders in any county wherein such bridge or bridges are located, they shall conclude that the said bridges are unsafely or improperly kept and maintained by the operating company so as to be dangerous to the public, the said Board shall have power to order the operating company at its own expense to make such necessary alterations or repairs in the construction of such bridge and its appurtenances as to such Board of Public Utility Commissioners may seem desirable for the public interest and safety.”

Upon the record in this matter and after considering the evidence adduced at the hearing referred to herein, the Board concludes that the bridge of the Belvidere-Delaware Bridge Company crossing the Delaware River at Belvidere, New Jersey, is unsafely kept and maintained by the said Company; that the said bridge is in such condition as to be dangerous to the public; that it is desirable for the public interest and safety that alterations and repairs shall be made as follows:

1. The cracked bridge seat on first pier under the down stream truss of the second span to be repaired.
2. The cracked bridge seat on the second pier under the up stream truss of the third span to be repaired.
3. The back wall at the New Jersey end of the bridge to be repaired.
4. The bridge seats on both abutments to be cleaned.
5. The floor stringers to be bolted to the floor beams.

Belvidere-Delaware Bridge Co.—Condition of Bridge—Belvidere.

In making repairs and alterations the cracked bridge seats and the back wall referred to should be repaired at once, and until this is done the bridge should be closed to traffic.

An order in accordance with the foregoing will be entered.

Dated January 9th, 1919.

ORDER.

This matter having been duly heard and the Board having on the date hereof, made and filed a report containing its findings of fact and conclusions thereon, which report, by reference thereto herein, is made part hereof, the Board

HEREBY ORDERS AND DIRECTS the Belvidere-Delaware Bridge Company to make the following repairs to its toll bridge crossing the Delaware River at Belvidere, New Jersey, to wit:

1. Repair the cracked bridge seat on first pier under the down stream truss of the second span.
2. Repair the cracked bridge seat on the second pier under the up stream truss of the third span.
3. Repair the back wall at the New Jersey end of the bridge.
4. Clean the bridge seats on both abutments.
5. Bolt the floor stringers to the floor beams.

The work called for herein should be begun at once and completed at the earliest practical date. In doing the work called for, repairs to the bridge seats and to the back wall should be given precedence.

The Board FURTHER ORDERS AND DIRECTS that in the interest of the public safety this bridge shall be at once closed to public travel and shall not be re-opened until the repairs to the bridge seats and to the back wall are completed.

This order shall be effective at once.

Dated January 9th, 1919.

Atlantic City Gas Co.—Increased Rates.

No. 659.

ATLANTIC CITY GAS COMPANY APPLICATION FOR INCREASED RATES.

1. In ruling upon an application for approval of an emergency increase in charges for gas, a valuation submitted by the company, which the Board's engineer has had no opportunity to check, which contains an allowance for going value that seems to be too high, and in which no deduction has been made for depreciation is not considered.

2. The company is allowed an emergency increase to admit of its continuing as a solvent concern, it appearing that revenues under existing rates will not be sufficient to pay operating expenses and meet fixed charges.

Chas. C. Pilgrim and Geo. E. Slattery, for the petitioner.

Harry Wootton, for the City of Atlantic City.

Carlton Godfrey, for Property Owners and Consumers of Atlantic City.

In its original petition, the company alleged that it had heretofore applied to the Board for its approval of an increase in rates for gas and "under date of June 26, 1918, an order was made by the Board, authorizing petitioner to file a schedule of rates, adding as a war surcharge to existing rates the amount of 15 cents per thousand cubic feet of gas sold." That "said order provided that in the event of acceptance of the finding by petitioner, it should file with the Board on or before November 1, 1918, a competent appraisal of its property in sufficient detail to permit same to be checked, showing (1) the reproduction value new with unit cost, based on pre-war prices; (2) the present value of the same as of July 1, 1918." That the company accepted the findings of the Board and under date of October 11, 1918, filed a competent appraisal of its property, in sufficient detail to permit the same to be checked, showing, under paragraph (3), "the rate making value of said property on pre-war prices in the amount of \$3,513,459."

Atlantic City Gas Co.—Increased Rates.

The petitioner alleges further "that it is entitled to a fair return on the reasonable value of its property, and that said return at this time should be not less than nine per centum on the rate making value of its property of \$3,513,459" and that the Board "should make an order finding the rate-making value of the property and the fair rate of return, as set forth in this paragraph."

The petitioner asks "that an order be made by the Board approving a rate to be charged for gas by the petitioner of not less than one dollar and forty-five cents (\$1.45) per one thousand cubic feet, with a discount of ten cents (10c.) per one thousand cubic feet for prompt payment, or a service charge and a rate per one thousand cubic feet of gas in such amounts as the Board may find reasonable."

During the course of the hearing, the counsel for the petitioner concluded to ask the Board to permit the petition submitted to be amended (testimony, page 78), Mr. Slattery stating, among other things:

"After consultation with my colleague, Mr. Pilgrim here, we have decided to say to the commission that we would rather have you consider this as an emergency proposition. * * *

"We will say to you the valuation we have offered and the testimony of Mr. Lea is simply an indication to you of the fair value of the property, so if you give us what is absolutely necessary to give us on this property a safe margin beyond that, that is all we are going to bother about at the present time, and we will not put the commission in the position of having a definite detail valuation of the property."

Before testimony was submitted by the company in proof of the allegations contained in its petition, Mr. Godfrey asked permission to state that the reason of his appearance before the Board in this matter was with reference to the capitalization of the Atlantic City Company which controls the Atlantic City Gas Company. The annual report of the Atlantic City Gas Company, filed with this Board, shows that it has outstanding 10,000 shares of capital

Atlantic City Gas Co.—Increased Rates.

stock, of which the Atlantic City Company (the holding company) owns 9,987 shares, thus controlling the Atlantic City Gas Company through this stock. Mr. Godfrey's statement to the Board, in part, was as follows:

"At the time of the opening of the former application for an increase made by the Atlantic City Gas Company made before this Commission, I stated that my clients opposed the consideration of any increase by the Board during such period as the financial condition of the holding company stood as it then existed. In other words, our position was that the Atlantic City Company of Delaware held all the capital stock of the Atlantic City Gas Company, one million dollars, and that they had issued for it \$900,000 of preferred stock and \$5,000,000 of common stock; that the intrinsic value of the preferred stock about equals the value of the one million dollars of stock of the Atlantic City Gas Company and that the five million dollars common stock had no substantial, intrinsic value.

* * *

"* * * I asked the question of the officers of the company whether they would cancel that stock, which they acknowledged had been issued without a valuable consideration, or pay for it. You remember their reply was they would do neither, their position being, questions of that kind involving a capitalization of the holding company were not proper questions before the Commission in consideration of an application for an increase of rates filed by the Atlantic City Gas Company."

Mr. Godfrey related that he had continued negotiations with the officers of the holding company and had recently reached an agreement that the five million dollars of common capital stock of the Atlantic City Company should be cancelled. Mr. Slattery, counsel for the petitioner, when questioned regarding this alleged agreement, stated (page 80 of the testimony), after an interview with Mr. Carlton Geist, one of the principal stockholders of the Atlantic City Company.

Atlantic City Gas Co.—Increased Rates.

“He (i. e., Mr. Geist) came to the conclusion he would ask the stockholders of the Atlantic City Company to rearrange their affairs so as to cancel all that item and try to distribute the stock in the present Atlantic City Gas Company among the stockholders of the Atlantic City Company and have that company dissolved in the State of Delaware. This is what we are trying to do.”

When the presiding Commissioner asked if this cancellation had been carried out, Mr. Slattery replied:

“No. This thing was only concluded a few days ago.

There is no question but he is going to do it.”

The Board, therefore, assumes that counsel will see that this agreement will be carried out, especially in view of the testimony subsequently submitted during the hearing.

CAPITAL USED AND USEFUL AS A BASIS FOR RATES.

As alleged in its petition, the company submitted a valuation of its property, made by Mr. Henry I. Lea, and the latter appeared in support of this valuation. A summary (rearranged) of this valuation alleged by him to afford a fair basis for rates under existing conditions is as follows:

REPRODUCTION COST.

RATE-MAKING.

	Undepreciated.
Land	\$179,626
Buildings and miscellaneous structures	186,984
Works equipment	883,372
Distribution system	1,486,477
Total tangible fixed capital	\$2,736,459
Stores and working capital	177,000
Total tangible capital	\$2,913,459
Intangible capital (going value)	600,000
Total	\$3,513,459

Atlantic City Gas Co.—Increased Rates.

When questioned as to whether, in the preparation of this appraisal, he used unit costs based on pre-war normal prices, Mr. Lea stated that he had not, for the reason that he based his unit prices on prices prevailing in the five years prior to 1918. When asked as to how much his appraisal was increased by reason of his unit prices, as compared with normal pre-war unit prices, he stated "as an offhand estimate" that he "should say that these figures were perhaps 15 or 20 per cent. higher in the aggregate."

The Board's engineer had no opportunity to check the inventory of the property belonging to the petitioner nor to critically examine the supporting data used in the preparation of this appraisal. A "going value" of \$600,000 on tangible fixed capital of \$2,736,000 was assumed therein a total of 22% for intangible values, which seems high. He did not deduct accrued depreciation of plant and property, although an investigation of the history of the company during the last seven years as revealed in its annual reports to this Board would indicate that the earnings on the basis of his appraisal (adjusted to pre-war prices) had been sufficient to provide a fair return on the property and provide a reserve for depreciation during those seven years even when the undepreciated figures are used. For those reasons and also for further reasons given when the company asked leave to amend its petition, this valuation will not be considered in the present proceedings and the Board will regard this as an emergency proceeding.

According to the balance sheet of the company, submitted in Exhibit P-2, page 11, the outstanding funded debt of the company is \$3,374,000 in first mortgage 5% bonds, the annual interest on which is \$168,700. The company's bills payable, on September 30th, were \$428,550, the interest on which, at 6% per annum, amounts to \$25,713. The sum of these two interest items is \$194,413. It seems fair to assume, then, that the fixed charges with respect to this item will average about \$195,000 which will be taken by the Board as the amount of the fixed charges necessary to maintain the solvency of the company.

Atlantic City Gas Co.—Increased Rates.

OPERATING EXPENSES, TAXES AND OTHER REVENUE DEDUCTIONS
FOR THE YEAR 1919, AS ESTIMATED BY THE COMPANY.

In its Exhibit P-4, the company set forth in detail operating expenses for the year ending October 31, 1918, and in a parallel column the estimated expenses for the year ending October 31, 1919. A summary of this exhibit as to 1919 items is given in Table I, which follows:

TABLE I.

SUMMARY OF REVENUE DEDUCTIONS FOR THE YEAR ENDING OCTOBER 31ST,
1919, BASED ON COMPANY'S EXHIBIT P-4 (CENTS OMITTED).

	Amount.	Per M. Cu. Ft. Sold.
I. Production—		
Labor	\$31,771	\$0.046
Supplies and expense	376,885	0.550
Repairs of works and apparatus	19,200	0.028
Residuals expense	961	0.001
Total cost in holder	\$428,817	\$0.625
Less residuals produced cr.	5,766	0.008
Net production cost (in holder)	\$423,051*	\$0.617
II. Transmission and distribution expense	65,654	0.096
IV. Commercial expense	44,258	0.065
V. New business expense	8,032	0.011
VI. General expenses other than amortization	48,537	0.071
Total operating expenses other than amort- ization	\$589,532	\$0.860
Taxes	49,354	0.072
Uncollectible bills	2,400	0.003
	\$641,286	\$0.935
Appropriation for general amortization	41,136	0.060
Total revenue deductions as claimed	\$682,422	\$0.995
Gas estimated to be sold (M. cu. ft.)	685,594	

*Error of \$10 in exhibit.

Atlantic City Gas Co.—Increased Rates.

This estimate, however, in the opinion of the Board, has certain items which are abnormal, even under existing conditions, and should, therefore, be taken into account in a rate adjustment. These items are shown in Table II., which follows:

TABLE II.

AMOUNTS TO BE DEDUCTED FROM TABLE I.

		Av. 1914—	Taken	Co.		
Items in Above are Too High.		1917.	As.	Has.	Excess.	
432	Repairs, boilers and engines,	\$1,562	\$2,340	\$5,856	\$3,516	\$0.005
433b	Repairs, water gas sets ...	2,853	4,280	8,987	4,707	0.007
452	Gas meter maintenance ...	10,102	12,000	18,455	6,455	0.009
484	General law expenses	360	3,000	6,000	3,000	0.005
485	Miscls. gen. expenses	4,900	6,000	11,577	5,577	0.008
	Extraordinary expense .....	.....	.....	2,455	2,455	0.004
495	General amortization	2,603	27,424	41,136	13,712	0.020
		\$22,380	\$55,044	\$94,466	.....	.....
Total to be deducted from		\$682,422	.....	.....	\$39,422	\$0.057
Adjusted revenue deductions		.....	.....	.....	643,000	0.938

For purposes of comparison, the average for the four years from 1914 to 1917, inclusive, of each of the items in Table II is shown, these figures being taken from the annual reports of the company, filed with the Board.

With respect to repairs for boilers and engines, the average charge for four years has been \$1,562, to which is added 50%, making a total of \$2,343 as the amount which should, in the opinion of the Board, be taken for this item. This indicates that the company's estimate should be reduced by \$3,513. Repairs for water gas sets are treated in the same way, indicating that a reduction of \$4,707 should be made. Such items as these must involve more replacements than repairs. With respect to gas meter maintenance, the average charge for this item for the four years was \$10,102. The company had in service, on December 31, 1917, the date of its last annual report filed with the Board, 16,955 meters. If we assume that approximately one-sixth of these meters or 3,000 meters are brought to the meter shop and put in repair during 1919, an allowance of \$4 per meter will

Atlantic City Gas Co.—Increased Rates.

aggregate \$12,000 for this item. In normal times ordinary three and five-light meters can be purchased for substantially \$6. As a very large proportion of all the meters are of this size, it would appear that an average allowance of two-thirds of such cost would be ample, especially in view of the fact that many meters require only minor repairs when brought to the meter shop. This indicates that the amount assumed by the company is \$6,455 too high. "Extraordinary expenses" of \$2,455, claimed by the company, are excluded for the reason that this item is not an ordinary expense. General law expenses have averaged \$360 per annum for the last four years. It is considered that an allowance of \$3,000 for this purpose is ample. The company estimates \$6,000; \$3,000 is, therefore, deducted from this item. Miscellaneous general expenses have averaged \$4,900 for the four years in question. The company estimates \$11,577 for this purpose, which is considered \$5,577 too high.

The company asks for an appropriation of \$41,136 for general amortization although its average appropriation for this purpose for the four years has been \$2,603 per annum. In answer to a letter from the Board's statistician, dated November 19, 1915, reminding the company that this account is required to be kept by all gas companies on and after January 1, 1913, the company replied, on December 15, 1915, as follows:

"This company has not charged anything to general amortization or depreciation as we have been using a large part of our funds for repairs and *renewals* and the property is undoubtedly in better condition than at the time of the organization of the company in 1910. In other words, there has been an appreciation in value rather than a depreciation."

The inference to be derived from this reply is that the Atlantic City Gas Company has charged to repairs items which are essentially replacements and which should ordinarily be charged to a reserve for depreciation kept for that purpose, and it is reasonable to assume that the operating expenses therefore include items of replacement which would ordinarily be provided for by charges to Account 495, General Amortization. This being the case, and to

Atlantic City Gas Co.—Increased Rates.

avoid duplication, the Board will deduct \$13,712 from the \$41,136 estimated by the company as being fair and reasonable under the existing conditions. This does not seem to be a propitious time to initiate large appropriations not considered necessary when the net revenue is ample to provide such reserves. All the deductions shown in Table III aggregate \$39,422. This amount deducted from the company's estimate of \$682,422, leaves an adjusted amount of \$643,000 for revenue deductions.

ESTIMATED REVENUE REQUIRED TO MEET THE EMERGENCY CON-
FRONTING THE COMPANY.

The fixed charges and revenue deductions are brought together in Table III, which follows:

TABLE III.

REVENUE REQUIRED TO MEET FIXED CHARGES AND ADJUSTED REVENUE DE-
DUCTIONS FOR THE YEAR 1919, BASED ON ESTIMATED SALES OF
685,594 M. CU. FT.

	Average.	Average Per M. Cu. Ft. Sold.
Fixed charges (as derived above)	\$195,000	\$0.284
Revenue deductions (operating expenses, taxes, etc.),	643,000	0.938
<hr/>		
Total revenue	\$838,000	
Average rate per M. cu. ft. sold		\$1.222

This table indicates that a total revenue of approximately \$838,000 is required. The revenue of \$838,000 includes, however, not only the metered gas, but also revenue which should be derived from street lights, sales of residuals, and of merchandise and miscellaneous sales. On the basis of rates including both fixed service charges and a block schedule for all gas used through meters, the allocations of the total revenue of \$838,000 will be shown in Table IV., which follows:

Atlantic City Gas Co.—Increased Rates.

TABLE IV.

ALLOCATION OF REVENUE OF \$838,000 TO CLASSES OF SERVICE.

Total revenue required (as above)	\$838,000	\$1.222
Less sales of residuals (1916 and 1917 average)	4,972	0.007
	<hr/>	<hr/>
	\$833,028	\$1.215
Less 2½ per cent. (1917 ratio) for street lamps	\$20,828	
Less merchandise and miscellaneous sales	12,360	
	<hr/>	<hr/>
	33,188	0.048
Remainder allocated to metered gas	\$799,840	\$1.167
To be derived from fixed service charge (Ex. P-5)	44,390	0.065
	<hr/>	<hr/>
	\$755,450	\$1.102
To be derived from measured gas sales estimated at (1)		
668,457 M. cu. ft., allocated as below.		

Estimated Revenue from Metered Consumption at Present Block Rates Plus Twenty-five-Cent Surcharge.

Annual Blocks.	M. Cu. Ft.	Net Rates.	Revenue.
100 to 600,000 cu. ft...	631,050	\$1.15	\$725,708
600,000 to 900,000 cu. ft...	9,806	1.10	10,787
900,000 to 1,200,000 cu. ft...	6,055	1.05	6,358
1,200,000 to 1,800,000 cu. ft...	6,615	0.95	6,284
Excess over 1,800,000 cu. ft...	7,807	0.85	6,636
	<hr/>		<hr/>
	668,457 (1)		\$755,773
Revenue produced by emergency metered rates....			\$755,773 \$1.102

The revenue other than that derived from the sale of metered gas, with respect to the sales of residuals, merchandise and miscellaneous sales, is based on the average of the same items in the 1916 and 1917 annual reports, these being the last reports filed with the Board. The gas revenue for street lamps is taken in proportion to consumption. Deducting the sum of these items of revenue from the revenue required from all sources leaves a remainder of \$799,840, allocated to metered gas. Deducting \$44,390, to be derived from the fixed service charges as computed by the company and shown in Exhibit P-5, leaves \$755,450 to be

(1) 685,597 M. cu. ft. × 97.5 per cent. = 668,457 M. cu. ft. metered gas.

Atlantic City Gas Co.—Increased Rates.

derived from actual gas consumed as shown by meter readings. The consumption of gas by meter readings taken is 97.5% of all gas and is estimated to be 668,457 M. cu. ft. This is apportioned to the various blocks of consumption by considering Exhibit P-19 in the first case in re increased rates and the average of the metered gas used in 1916 and 1917. Adding 25 cents to the various block rates of the company existing prior to the last increase allowed by the Board, the resulting revenue will come within \$300 or \$400 of the amount to be derived from this class of revenue.

CONCLUSIONS.

The Board therefore finds and determines:

1. That the petition will be denied.
2. That the evidence and record in this case show that the following is a reasonable schedule of emergency rates for metered consumption to be adopted by the company, viz.—

(a) GRADUATED FIXED SERVICE CHARGE.

(In addition to a charge for gas actually consumed)

For three and five-light meters, the fixed service charge shall be 25 cents per month for each connected customer. For each one-light increase in capacity above five-light, add one cent per light capacity.

(b) An emergency surcharge at the rate of 25 cents per thousand cubic feet of metered gas consumed shall be added to the schedule of rates in force prior to June 26th, 1918. These rates are more fully set forth on pages 1 and 2 of the Board's report of June 26th, 1918.

3. The company may file the schedule of emergency rates set forth in (2), effective as of the date of this report.

4. Acceptance by the company of the increases herein allowed will be taken as a stipulation that abrogation or modification of the emergency surcharges may be made as and if conditions as indicated by operating results both as to revenue and the character of service rendered warrant.

5. Beginning at the effective date of said schedule of rates, the company is to render reports monthly to the Board showing the

Standard Gas Co.—Increase in Rates.

Operating Revenues, Operating Deductions excluding General Amortization, Non-Operating Income, Income Deductions and balance available for Amortization, Dividends and Surplus, and amount appropriated for General Amortization for each succeeding calendar month with comparison with the figures for the corresponding month of the preceding year. This statement may preferably follow the form shown in the annual report for gas utilities (page 21, Income Statement; page 22, lines 1 to 11, Operating Revenues; page 26, lines 27 to 37, with amount appropriated for Amortization stated separately, under VI.) and the Board will retain jurisdiction of the emergency surcharges as herein approved for the purpose of modifying or abrogating the same as and if the conditions change.

Dated January 9, 1919.

No. 660.

APPLICATION OF THE STANDARD GAS COMPANY FOR FURTHER INCREASE IN RATES.

1. Application is made by a gas company for approval of increased rates, the company claiming that the rates "now in effect, plus the monthly service charge, are far below what is needed to meet the operating expenses, and fixed charges."

2. The petitioner asks that a rate eliminating the fixed service charge shall be fixed, claiming that its customers objected to it, that summer customers would pay only two or three months' service charges and that the revenue for the remaining portion of the year with respect to seasonal customers would be lost, although the all-year customers would have to pay the service charge for twelve months.

3. The Board holds that a service charge should be made but that in this case it should be imposed on an annual basis to be paid monthly by all responsible permanent residents and annually by seasonal customers.

4. In a prior proceeding the Board assumed \$680,000 as the capital base for rates as of June 30th, 1917. Taking one-half the additions for 1917, as indicated by the company's annual report, and the additions for seven months of 1918, the sum of \$8,200 is arrived at, which added to \$680,000, gives \$688,200 for a capital base in the present determination.

Standard Gas Co.—Increase in Rates.

5. Allowing six per cent. return on the capital base, adding this to the operating expenses and applying the service charge and rate schedule proposed by the petitioner gives a total \$15,432 in excess of the fair revenue required.

6. The rates proposed are disapproved and a schedule of rates providing for such increased revenue as is needed is fixed.

7. The public should pay a fair price for proper service and when it pays this fair price it should get such service. The emergency rates allowed are predicated on the furnishing of continuously, safe, adequate and proper service. If, for reasons within its control, the company should fail to render such reasonable service the Board will cancel the emergency rates for the reason that adequate service should be a corollary to adequate rates.

William E. Foster, for the petitioner.

Fred'k E. Anderson, for the Town of Freehold.

The application alleges that the municipalities served by the petitioner are Highlands Borough, Atlantic Highlands Borough, Middletown Township, Rumson Borough, Raritan Township, Keyport Borough, Matawan Borough, Matawan Township, Freehold Town, Freehold Township and Keansburg Borough.

That the price for gas furnished by the petitioner is uniform in all the municipalities above named and that the rate schedule in effect now is as follows:

For the first	5,000 cu. ft. consumed per month.....	\$1.35 gross.
For the next	5,000 cu. ft. consumed per month.....	1.15 gross.
For the next	20,000 cu. ft. consumed per month.....	1.05 gross.
For the next	20,000 cu. ft. consumed per month.....	0.95 gross.
For the next	25,000 cu. ft. consumed per month.....	0.85 gross.
For the next	25,000 cu. ft. consumed per month.....	0.80 gross.
For excess over	100,000 cu. ft. consumed per month.....	0.75 gross.

Less discount of 5 cents per 1,000 cu. ft. on each bill if paid within ten days after bill is rendered. Plus the monthly service charge as approved by your report of May 28th, 1918.

That "the rates that are now in effect, plus the monthly service charge, are far below what is needed to meet the operating expenses, and fixed charges, and the company is required to ask" the approval and consent for the following rates to be placed in effect, at a date to be determined by the Board, and as early as possible.

Standard Gas Co.—Increase in Rates.

The company claims to have notified the officials of the various municipalities that application was to be made to this Board for increased rates. The Secretary of the Board, under date of September 20th, 1918, sent a notice of the date and place of the first hearing to the official representative of each of the municipalities affected.

This is the second application for increased rates filed by the petitioner and will be treated as a continuation of the first case. Two hearings were held in the matter.

GAS ESTIMATED TO BE SOLD DURING THE YEAR 1918, ALLOCATED
TO CLASSES OF SERVICE AND METERED CONSUMPTION,
SUBDIVIDED INTO BLOCKS AS SHOWN.

The amount of gas estimated to be sold during the year 1918 is taken at 110,000 M. cu. ft. This is arrived at by comparing the amount of gas sold from June to November in 1917 with the total sold in 1917 and by proportion arriving at the amount for 1918 by the ratio indicated by 1917. Of this 110,000 M. cu. ft., 4,487 M. cu. ft. are allocated to municipal and private street lamps and the remainder of 105,515 M. cu. ft. is allocated to metered customers. Inasmuch as the rate schedule of the Standard Gas Company now in effect was determined by this Board in its report of May 29th, 1918, and is based on blocks wherein each customer using gas in any given block pays the same price as any other customer, it becomes necessary to determine as accurately as possible the consumption of gas in each block of the estimated consumption of 105,515 M. cu. ft. At the request of the Board's engineer, the company has furnished an analysis of the consumption of its customers for the months of February and July in 1917 and 1918, these two months being assumed to represent the minimum and maximum consumption during the year. The information so furnished has been tabulated and classified and the result is summarized in Table I, following:

Standard Gas Co.—Increase in Rates.

TABLE I.
SHOWING CLASSIFICATION OF METERED GAS BY BLOCKS.
(Based on Analysis of Customers' Accounts.)

Blocks as Taken (In M. Cu. Ft.)	1917.		1918.		1917-1918. Weighted Average in %.	1918. Blocks Based on 2-Year Average.
	February in %.	July in %.	February in %.	July in %.		
100 to 5,000.....	90.82	86.92	80.77	81.09	84.33	88,981,000
5,100 to 10,000.....	4.39	7.94	5.25	9.74	7.80	8,230,000
10,100 to 30,000.....	1.97	3.82	4.22	5.96	4.46	4,706,000
30,100 to 50,000.....	0.65	0.46	1.60	0.95	0.83	876,000
50,100 to 75,000.....	0.60	0.35	1.52	0.60	0.64	675,000
75,100 to 100,000.....	0.60	0.20	1.07	0.58	0.52	549,000
Over 100,000.....	0.97	0.31	5.57	1.08	1.42	1,498,000
	100.00	100.00	100.00	100.00	100.00	105,515,000

Standard Gas Co.—Increase in Rates.

The percentage in the "1917 and 1918" column for the various blocks are based on the weighted average for the four months named for both 1917 and 1918. This gives a better weighted average than if any one of the months or years were taken alone. These 1917 and 1918 percentages are then applied to the total metered consumption of 105,515 M. cu. ft., and in the last column of the table is given the estimated consumption for each block. It will be noted that there was quite a change in the character of the consumption in 1918 as compared with 1917. The amount of consumption in the first block (carrying the highest rate) decreased in 1918 and the consumption in the higher blocks (at cheaper rates) correspondingly increased. This will explain, in a measure, why the rates determined by the Board in its report of May 28th, 1918, which are based on 1917 data, applied to 1918 consumption, would show a smaller average return than indicated in the Board's report.

CAPITAL USED AND USEFUL.

In its former report, the Board assumed \$680,000 as the capital base for rates as of June 30th, 1917. Taking one-half the additions for 1917, as indicated by the company's annual report, and the additions for seven months of 1918, a figure of \$8,200 is arrived at; this, added to \$680,000, gives \$688,200 for a capital base in the present determination.

OPERATING EXPENSES, TAXES, UNCOLLECTIBLE BILLS.

The operating expenses, as taken by the Board, are based largely on the company's monthly report to the Board for the month of October, 1918, adjusted (but on the basis of a consumption to correspond to a total of 110,000 M. cu. ft.) for the increase in price of coal effective in November, for increased franchise taxes (which, for 1919, will increase to 4% of the gross revenue for 1918) and for other minor items. The consumption for October very closely approximates one-twelfth of the 110,000 M. cu. ft. for total consumption as estimated for 1918. These operating expenses are shown in Table II, which follows:

Standard Gas Co.—Increase in Rates.

TABLE II.

SHOWING ANNUAL REVENUE REQUIRED ON BASIS OF 1918 CONSUMPTION AND
OPERATING EXPENSE ADJUSTED TO PRESENT COSTS.

ALSO SHOWING ALLOCATION TO CLASSES OF SERVICE.

(Sales Estimated at 110,000 M. Cu. Ft.)

	Amt.	Per M. Cu. Ft.	Amt.	Per M. Cu. Ft.
Capital base taken at \$688,200, return of 6 per cent. is .....	.....	.....	\$41,290	\$0.376
Revenue deductions—				
I. Production	\$80,250	\$0.730		
II. Transmission and distribution ..	7,260	0.066		
III. Municipal street lights	2,970	0.027		
IV. Commercial administration	7,700	0.070		
V. New business	2,200	0.020		
VI. General and miscellaneous, gen- eral amortization	13,200	0.120		
VI. General and miscellaneous, other,	10,000	0.090		
- Total operating expenses	\$123,580	\$1.123		
Taxes	7,590	0.069		
Uncollectible bills	500	0.005		
Total revenue deductions .....	.....	.....	131,670	1.197
Total revenue required .....	.....	.....	\$172,960	\$1.573
Allocation of revenue—				
I. Street lights, municipal and pri- vate (4.1 per cent.)	\$7,090			
II. (a) Metered customers— Fixed service charge, \$20,260				
II. (b) Metered customers— For gas consumed .. 144,000				
Total revenue from metered gas,	164,260			
III. Miscellaneous revenue	1,610			
Total revenue as above.....	.....	.....	\$172,960	

Standard Gas Co.—Increase in Rates.

In Table II, to the operating expenses and other revenue deductions is added the sum of \$41,290, this being 6% of the capital of \$688,200 assumed. This table indicates that the total revenue required from all sources on the basis assumed is \$172,960, or an average rate of \$1.573 per M. cu. ft. This revenue is also allocated to classes of service in the table. The street lights are assumed to bear the average rate, although possibly on a stricter analysis this amount might be increased somewhat. The difference, however, is not sufficient to be material. The *fixed service charge* is arrived at by a consideration of the six months' reports from June to November, inclusive, filed with the Board. The miscellaneous revenue is based on the amount of this item received during the preceding years. The remaining amount of \$144,000 is allocated to the proportional charge for gas consumed by metered customers.

It now becomes pertinent to determine what rate shall be given to each block of consumption hereinabove shown and to prove that the application of the rate to those blocks will produce a revenue of \$144,000. This is shown in Table III, which follows:

TABLE III.

SHOWING REVENUE ESTIMATED TO BE PRODUCED BY PROPORTIONAL CHARGES FOR GAS SOLD.

	Quantity M. Cu. Ft.	Net Rate.	Revenue.	Average Rate Per M. Cu. Ft.
100 to 5,000.....	88,981	\$1.40	\$124,573	.....
5,100 to 10,000.....	8,230	1.30	10,699	.....
10,100 to 30,000.....	4,706	1.15	5,412	.....
30,100 to 50,000.....	876	1.05	920	.....
50,100 to 75,000.....	675	0.95	641	.....
75,100 to 100,000.....	549	0.90	494	.....
Over 100,000.....	1,498	0.85	1,273	.....
	105,515	....	.....	.....
Revenue from proportional charge for gas consumed,			\$144,012	\$1.365
Add service charge			20,260	0.192
Total revenue from metered gas			\$164,272	\$1.557

Standard Gas Co.—Increase in Rates.

FIXED SERVICE CHARGES.

In its petition, the company asks that a rate eliminating a fixed service charge should be fixed by the Board. During the course of hearing the reason for this action was stated that customers objected to it and that summer customers would pay only two or three months' service charges and that the revenue for the remaining portion of the year with respect to seasonal customers would be lost, although the all-year consumers of gas would have to pay the service charge for twelve months. Counsel for Freehold, in his brief, urged that "the temporary consumers should bear a larger proportion of the operating expenses than was imposed upon them by the proposed readiness-to-serve charge."

The Board's report in the matter of the application of the Ocean County Gas Company for further increases in rates is pertinent in the instant case.

"Each customer connected with the gas mains of the petitioner entails a fixed cost annually for the interest, taxes, depreciation and maintenance of the individual service pipe and meter devoted to such customers. If, for reasons of his own, the customer does not choose to use this service pipe and meter for the entire twelve months this does not relieve the company from the necessity of paying the fixed charges thereon. If they are not paid by the customer to whose sole use they are devoted, some other customer or customers must be charged with this cost or the company must fail to receive reimbursement for such expenditures. Failure to recognize this fact tends to introduce an element of discrimination in rates unless each and every customer uses his service pipe and meter for approximately the same number of months in the year. This is not the case with the customers of the petitioner
* * * ."

"In the matter of the complaint of *'Citizens of Northfield City vs. Pleasantville Water Company,'* as shown in Volume I of the Reports of the Board of Public Utility Commissioners of the State of New Jersey, page 585, the Board laid down the following principle affecting seasonal resorts:

Standard Gas Co.—Increase in Rates.

“ ‘A large part of the plant and equipment at summer resorts is maintained throughout the year with comparatively little demand for service, in order that service may be furnished those who reside at the resorts during a part of the year only. In fixing a charge for service it is not unreasonable, under the circumstances, for consideration to be given to the expense of maintenance during the year, although service may be afforded to a majority of the patrons of the company for part of the year only. It is not regarded as unreasonable that payment for the entire time during which service is afforded in any one year under these conditions should be exacted in advance.’ ”

This leads to the conclusion that the Board should find in this case that the service charge should be imposed on an annual basis to be paid monthly by all responsible permanent residents and annually by seasonal customers.

REVENUE ESTIMATED TO BE PRODUCED BY SCHEDULE PETITIONED FOR.

In Table IV the rate schedule proposed by the petitioner is applied to the blocks as shown in Table III.

TABLE IV.
SHOWING REVENUE WHICH WOULD BE PRODUCED BY SCHEDULE SUBMITTED BY THE COMPANY ON SAME BLOCKS AS USED IN TABLE III, GIVEN ABOVE.

		Quantity	Net Rate.	Revenue Produced.	Average Rate Per
		M. Cu. Ft.			M. Cu. Ft.
100 to	5,000.....	88,981	\$1.75	\$155,717	.....
5,100 to	10,000.....	8,230	1.55	12,756	.....
10,100 to	30,000.....	4,706	1.45	6,824	.....
30,100 to	50,000.....	876	1.35	1,182	.....
50,100 to	75,000.....	675	1.25	844	.....
75,100 to	100,000.....	549	1.20	659	.....
Over	100,000.....	1,498	1.15	1,722	.....
		105,515	....	\$179,704	\$1.703

Standard Gas Co.—Increase in Rates.

The revenue produced by the application of the petitioner's schedule of rates to the blocks assumed to represent 1918 consumption amounts to \$179,704. This is \$15,432 in excess of the fair revenue as derived in Table III for the proportional charge and the fixed service charge combined. This would indicate that the rates applied for in the petition are too high.

SERVICE.

In the company's former application for increased rates, counsel for Freehold stated that the service rendered to Freehold was not adequate and that complaints against the service had not been properly attended to by the representatives of the petitioner.

In the present case he repeated these charges and it was agreed during the course of the hearing that the Board's engineer should have an investigation made with respect to the character of the service being maintained in Freehold and also to investigate the complaints of individual customers. Accordingly, an inspector of the Board visited Freehold on November 29th, first having communicated with Mr. Anderson, who represented Freehold in these proceedings. The inspector interviewed the members of the Board of Commissioners of the Town of Freehold and in their company visited the premises of a number of customers of the company who had made complaints to the Board of Commissioners at various times. The result of this investigation and inspection indicates that the cause of a number of these complaints was the small-sized service pipe connecting the customer's meter with the company's street main and was also, in certain instances, the small diameter of the house piping on the premises of the customers. The company installed a recording pressure gauge on the service pipes of many of its customers in various sections of the town. The Board's inspector examined not only these charts, but the charts which were submitted at the hearing of November 21st in connection with the company's application in the present matter. The rules adopted by the Board in establishing standards and regulations for gas companies provide that:

Standard Gas Co.—Increase in Rates.

“Gas pressure, as measured at meter inlets, shall never be less than 1½ inches, nor more than 6 inches of water pressure, and the daily variation in pressure at the inlet of any one meter on the system shall never be greater than 100% of the minimum pressure.”

The charts taken by the company indicate that the pressure conditions, in general, are within the limits prescribed by the Board's rules. In certain instances where the pressures were not within the limits prescribed, an examination showed that the service pipe was partially stopped up. After the service pipe was blown out, the pressure conditions thereafter existing were found to be within the limits prescribed by the above rule. In order to improve the service in Freehold, the company delivered a special return postal card with the last month's bill sent out to the customers, requesting that the customers “notify the company of any complaint in connection with the service furnished by merely indicating on the card the nature of the complaint.” So far as the Board's inspector is advised, all outstanding complaints have been adequately taken care of and the company evinces a desire to afford improved service to Freehold, as requested by its representatives.

It is pertinent in this connection to state that the public should pay a fair price for proper service and when it pays this fair price it should get such service. The emergency rates allowed in this matter are predicated on the furnishing of continuously safe, adequate and proper service. If, for reasons within its control, the company should fail to render such reasonable service, the Board will cancel the emergency rates herein allowed “for the reason that adequate service should be a corollary to adequate rates.”

CONCLUSIONS.

The Board therefore finds and determines:

1. That the petition of the company in this matter will be denied for the reason that the proposed schedule of rates is not just and reasonable.
2. That the company may file the following schedule of rates, effective as of the date of this report:

Standard Gas Co.—Increase in Rates.

(a) GRADUATED FIXED SERVICE CHARGE.

(In addition to a charge for gas actually consumed.)

For three and five-light meters, the fixed service charge shall be \$3 a year. For each one-light increase in capacity above five-light, add twelve cents per annum. Responsible all-year-round customers may pay one-twelfth of this fixed service charge monthly. Seasonal customers are to pay the annual charge in a single payment unless otherwise agreed with the company's representatives.

(b) UNIFORM SCHEDULE OF RATES TO BE CHARGED IN PROPORTION TO THE CONSUMPTION OF GAS.

For the first	5,000 cu. ft. of gas per month.....	\$1.45
For the next	5,000 cu. ft. of gas per month.....	1.35
For the next	20,000 cu. ft. of gas per month.....	1.20
For the next	20,000 cu. ft. of gas per month.....	1.10
For the next	25,000 cu. ft. of gas per month.....	1.00
For the next	25,000 cu. ft. of gas per month.....	0.95
For excess over	100,000 cu. ft. of gas per month.....	0.90

Less a discount of 5 cents per 1,000 cu. ft. on each bill if paid within ten days after the bill is rendered.

No gas is to be sold at a rate which will average less than \$1 per thousand cubic feet on the entire bill.

3. Acceptance by the company of the increases herein allowed will be taken as a stipulation that abrogation or modification of the emergency surcharge may be made as and if conditions as indicated by operating results, both as to revenue and the character of service rendered, warrant.

4. Beginning at the effective date of said schedule of rates, the company is to render reports monthly to the Board showing the Operating Revenues, Operating Deductions excluding General Amortization, Non-Operating Income, Income Deductions and balance available for Amortization, Dividends and Surplus and amount appropriated for General Amortization, for each succeeding calendar month, with comparison with the figures for the cor-

Electric Co. of N. J. and Bridgeton Elec. Co.—Merger.

responding month of the preceding year. This statement may preferably follow the form shown in the annual report for gas utilities (pages 21, Income Statement; 22, lines 1 to 11, Operating Revenues; 26, lines 27 to 37, with amount appropriated to Amortization, Account 495, stated separately under VI). And the Board will retain jurisdiction of the emergency surcharges as herein approved, for the purpose of modifying or abrogating the same as and if the conditions change.

Dated January 9th, 1919.

No. 661.

**APPLICATION OF THE ELECTRIC COMPANY OF NEW JERSEY AND
BRIDGETON ELECTRIC COMPANY FOR APPROVAL OF MERGER
AND CONSOLIDATION.**

C. L. S. Tingley, for the petitioner.

L. Edward Herrmann, for the Board.

The Electric Company of New Jersey and Bridgeton Electric Company, corporations of this State, engaged in manufacturing and distributing electric current for lighting, heating and power purposes, seek approval of a merger and consolidation agreement entered into by them, which agreement was submitted. The agreement provides for the issuance of stock of the new corporation to the holder of the stock of the merging company share for share. The aggregate amount of stock proposed to be issued by the terms of the merger agreement is equal to the aggregate of the stock now issued and outstanding of both corporations, and in addition thereto 500 shares of preferred stock of the Bridgeton Electric Company. A petition was filed simultaneously with the petition filed in the present proceeding, requesting the approval of the issuance of said 500 shares of preferred stock.

Bridgeton Electric Co.—Transfer of Stock.

Inasmuch as we have withheld our approval to the issuance of all of the stock sought to be issued as appears by our report of even date herewith, in the matter of the application of Bridgeton Electric Company for approval of issuance and transfer of 500 shares of preferred stock to the American Railways Company, we will not approve of the agreement for merger and consolidation as submitted.

Dated January 16th, 1919.

No. 662.

APPLICATION OF BRIDGETON ELECTRIC COMPANY FOR APPROVAL
OF THE ISSUANCE AND TRANSFER OF STOCK TO THE AMERICAN
RAILWAYS COMPANY.

1. Application is made by an electric utility for authority to issue 500 shares of its preferred capital stock at par for the purpose of extinguishing indebtedness incurred in borrowing money used to pay for additions and extensions to plant.

2. From the calculations made by the Board's engineer, the issuance of \$50,000 par value stock cannot be authorized. Based on such calculations an issue of \$40,000 is authorized; \$35,000 of the proceeds to be used for working capital and \$5,000 for construction work in progress as of December 31st, 1917.

C. L. S. Tingley, for the petitioner.

L. Edward Herrmann, for the Board.

On December 5th, 1917, there was filed with this Board a petition by the Bridgeton Electric Company and the American Railways Company, both corporations of this State, for an order authorizing the issuance of 500 shares of the preferred capital stock at par of the said Bridgeton Electric Company to the American Railways Company, which has agreed to take and pay for the same in cash at par.

Bridgeton Electric Co.—Transfer of Stock.

The Bridgeton Electric Company maintains and operates a plant in the city of Bridgeton and its vicinity, for the manufacture, sale and distribution of electricity for lighting, heating and power purposes. It has an authorized capital stock of \$300,000, of which 2,000 shares of the aggregate par value of \$200,000 are preferred capital stock, and 1,000 shares of the aggregate par value of \$100,000 are common capital stock.

There are now issued and outstanding 500 shares of said preferred capital stock, and 1,000 shares of common capital stock.

The petition alleges that the Bridgeton Electric Company is indebted in the sum of \$50,000 for moneys advanced to it from time to time and used by it in payment for additions and extensions of its power plant. It proposes to issue 500 shares of its preferred capital stock at par for the purpose of providing funds for the payment and extinguishment of said indebtedness. It alleges that the American Railways Company now owns substantially all of the capital stock, both common and preferred, of the Bridgeton Electric Company, and much in excess of the majority thereof; that the said American Railways Company is not engaged in the business of furnishing light, heat or power, nor does it own any of the capital stock or other securities of any other corporation engaged in said business in said territory, and that the effect of such purchase will not lessen any competition in the territory.

The petition was filed simultaneously with another petition in which the said Bridgeton Electric Company and the Electric Company of New Jersey sought approval of a merger agreement made and entered into by these two companies.

The two matters were heard together because the merger agreement sought to be approved was predicated upon this Board's approval of the issuance and transfer of the shares of stock, the subject matter of the present petition.

Two hearings were held. The first on July 2, 1918, and the last on November 19, 1918. The length of time which elapsed between hearings was because of the failure of the petitioner to furnish information required by the Board's engineers and necessary for a proper consideration of the case.

Bridgeton Electric Co.—Transfer of Stock.

An examination of an inventory and appraisal of the company's property as of December 31, 1917, submitted by the company indicates that the major portion of the indebtedness represents money borrowed to pay for materials and supplies and other items of working capital, and also construction work in progress on December 31, 1917, rather than additions to fixed capital account.

The total outstanding securities of the company amount to \$50,000 in preferred stock, \$100,000 in common stock, and \$250,000 in bonds.

Practically all of the stock issued is held by the American Railways Company.

The inventory and appraisal submitted by the company shows a total value of \$397,465.99.

The expenditures sought to be capitalized have been made for materials and supplies and other working capital, and for some construction work, then in progress. Our consideration is therefore confined to the determination of the reasonable amount of working capital which should be allowed and the amount of construction work in progress on December 31, 1917.

The company's working capital, as obtained from its report made to this Board for the year 1917 is \$34,003.99, or slightly over 8% of the total fixed capital. This is obtained by taking the difference between the current assets (materials and supplies, cash, consumers' accounts receivable, other accounts receivable) and current liabilities (taxes accrued, other accrued liabilities and other accounts payable).

The construction work in progress as shown by the same report amounts to \$5,660.67. The company's working capital as found above probably includes some items in materials and supplies account, which will subsequently be charged to fixed capital account, and the cost of carrying such items as well as the construction work in progress, would, in a rate case, be considered as interest during construction.

It seems desirable because of the pending merger of the Bridgeton Electric Company with the Electric Company of New Jersey, that the floating assets of the former should be capitalized before any merger is effected.

Suspension of Increased Charges for Telephone Service Within State of N. J.

From the calculation made by the Board's engineers, however, the approval of the issuance of \$50,000 par value of the preferred stock of the company cannot be authorized. Based on these calculations we will allow the company to issue 400 shares of the preferred stock of the aggregate value of \$40,000 to be issued and transferred to the American Railways Company at par for cash; of the proceeds, we will allow \$35,000 for working capital and \$5,000 for construction work in progress as of December 31, 1917.

Dated January 16th, 1919.

No. 663.

IN THE MATTER OF SUSPENSION OF INCREASED CHARGES FOR
TELEPHONE SERVICE WITHIN THE STATE OF NEW JERSEY.

1. The Board is of the opinion that the postmaster general in operating telephone companies in New Jersey is subject to the law of the state respecting such companies, unless congress possesses the power to relieve him of compliance therewith and has exercised such power.

2. It is not pertinent, and therefore unnecessary to discuss whether congress in providing for federal operation of telephone companies had power to declare state laws affecting these companies to be null and void, as congress expressly declared that its act should not be construed to impair or repeal such laws in relation to lawful police regulations.

3. Unless and until it is declared by a court of competent jurisdiction that the suspension of increased charges for telephone service is not a lawful police regulation, the Board must assume the postmaster general, as well as telephone companies operated by him, is subject to the provisions of the New Jersey statute with respect to charges for such service.

The law of New Jersey provides that when any public utility shall increase, change or alter its rates the Board shall have power "to hear and determine whether the said increase, change or alteration is just and reasonable. The burden of proof to show that the said increase, change or alteration is just and reasonable shall be upon the public utility

Suspension of Increased Charges for Telephone Service Within State of N. J.

making the same. The Board shall have power pending such hearing and determination to order the suspension of the said increase, change or alteration until the said Board shall have approved said increase, change or alteration not exceeding three months. It shall be the duty of the said Board to approve any such increase, change or alteration upon being satisfied that the same is just and reasonable."

Public utilities as defined by law include, among others, every individual, co-partnership, association, corporation or joint stock company, their lessees, trustees or receivers appointed by any court whatsoever, that now or hereafter may own, operate, manage or control within the State of New Jersey any telephone plant or equipment for public use, under privileges granted or hereafter to be granted by the State of New Jersey or by any political subdivision thereof.

The Board is of the opinion that the Postmaster General in operating telephone companies in New Jersey is subject to the laws of the State respecting such companies, unless Congress possesses the power to relieve him of compliance therewith and has exercised such power.

The Postmaster General acts by appointment of the President in accordance with a joint resolution of Congress authorizing the President to assume control of telephone systems and operate the same for the duration of the war. This resolution contains a proviso to the effect that nothing therein

"shall be construed to amend, repeal, impair or affect existing laws or powers of the States in relation to taxation or the lawful police regulations of the several States, except wherein such laws, powers or regulations may affect the transmission of Government communications, or the issue of stocks and bonds by such system or systems."

Lawful police regulations of the states are such regulations as the states may lawfully make in the exercise of their police power. The courts in numerous decisions have held that the regulation of rates is a lawful exercise of the police power. It is not pertinent, and therefore unnecessary, to discuss whether Congress in providing for federal operation of telephone companies had power to declare state laws affecting these companies to be null

Suspension of Increased Charges for Telephone Service Within State of N. J.

and void. The fact is that Congress expressly declared that its act should not be construed to impair or repeal such laws in relation to lawful police regulations. Unless and until it is declared by a court of competent jurisdiction that the suspension of increased charges for telephone service is not a lawful police regulation, the Board must assume the Postmaster General, as well as the telephone companies operated by him, are subject to provisions of the New Jersey statute with respect to charges for such service.

There is nothing before the Board to show that with respect to any of the telephone companies operated in New Jersey the increased charges ordered would be reasonable. With respect to the New York Telephone Company, they appear to be much in excess of the rates necessary to meet operating expenses and fixed charges and provide an ample net return. The Postmaster General does not claim that the Government needs additional revenues from telephone operation and that increases are made for this purpose. In response to a letter to the Postmaster General, protesting against the increases, the Solicitor of the Post Office Department has advised the Board that the rates prescribed by the order of the Postmaster General are the result of study by the Committee on Standardization of Rates of the Post Office Department that it is intended they shall be

“applied throughout the country by all companies operating under Government control, and without especial reference to its immediate effect in individual localities by reason of special conditions therein prevailing, so that this Department is not advised as to the probable results which will flow from the application of this new schedule in the State of New Jersey.”

The Board is not advised as to the personnel of the committee referred to. It has received no prior notice of the study being made by such committee. So far as the Board has been informed the committee has not given any public hearing and has not sought information from or consulted the records of the commissions of the several states. It seems to us that before placing the burden of greatly increased charges upon the users of telephones the Post Office Department should have been advised of “the prob-

Delaware and Atlantic Tel. and Tel. Co.—Increased Charges, etc.

able results which will flow from the application of this new schedule" not only in New Jersey, but in the other states as well.

It is the Board's opinion that unless and until reasons not yet advanced are given why the new rates should become effective they should not be allowed. In so far as they apply to service within the State of New Jersey they will be suspended. Appropriate orders will issue.

Dated January 20th, 1919.

No. 664.

IN THE MATTER OF INCREASED CHARGES FOR USE OF THE FACILITIES OF THE DELAWARE & ATLANTIC TELEGRAPH & TELEPHONE COMPANY.

It appearing that the Delaware & Atlantic Telegraph & Telephone Company is a public utility as defined by "An Act concerning Public Utilities to Create a Board of Public Utility Commissioners and to Prescribe its Duties and Powers" (Chapter 195. N. J. P. L. 1911); that the said Delaware & Atlantic Telegraph & Telephone Company is now being operated by A. S. Burleson, Postmaster General of the United States, by virtue of a joint resolution of Congress authorizing and empowering the President to take possession of any telephone system and to operate the same in such manner as may be needful or desirable for the duration of the war; that the said joint resolution of Congress expressly provides that nothing therein "shall be construed to amend, repeal, impair or affect existing laws or powers of the States in relation to taxation or the lawful police regulations of the several States, except wherein such laws, powers and regulations may affect the transmission of Government communications or the issue of stocks and bonds by such system or systems;" that the said A. S. Burleson in the operation of the Delaware & Atlantic Telegraph & Tele-

Delaware and Atlantic Tel. and Tel. Co.—Increased Charges, etc.

phone Company is therefore subject in the particulars mentioned to the laws of New Jersey as they affect an individual operating a telephone plant or equipment for public use; that the system of the Delaware & Atlantic Telegraph & Telephone Company extends through and connects many municipalities in the State of New Jersey; that the system of the said company is used for conversation by telephone between said municipalities, for which use, charges, commonly termed toll charges, are made; that certain classifications have been made and charges fixed by order of the Postmaster General which on and after January 21st, 1919, will result in a change or alteration of existing classifications and increases in rates, tolls and charges for use of the facilities of the Delaware & Atlantic Telegraph & Telephone Company; and it further appearing that the Act Creating a Board of Public Utility Commissioners and prescribing its powers and duties referred to herein, provides that when any public utility as defined by said act shall "increase any existing individual rates, joint rates, tolls, charges or schedules thereof, as well as commutation, mileage and other special rates, or change or alter any existing classification, the Board shall have power either upon written complaint or upon its own initiative to hear and determine whether the said increase, change or alteration is just and reasonable" and "shall have power pending such hearing and determination to order the suspension of the said increase, change or alteration until the said Board shall have approved said increase, change or alteration, not exceeding three months;" now, therefore, the Board of Public Utility Commissioners for the State of New Jersey on this twentieth day of January, one thousand nine hundred and nineteen, ORDERS AND DIRECTS that all changes and alterations of existing classifications and increases in rates, tolls and charges proposed to be made effective on the twenty-first day of January, one thousand nine hundred and nineteen, in so far as the said changes, increases and alterations apply to the use of the facilities of the Delaware & Atlantic Telegraph & Telephone Company for conversations between places in the State of New Jersey, shall be suspended until the twentieth day of April, one thousand nine hundred and nineteen, unless the Board prior to said date shall approve the same.

New York Telephone Co.—Increased Charges, etc.

The Board on its own initiative hereby calls a hearing to determine whether the changes and alterations of schedules and increases in rates, tolls and charges referred to herein are just and reasonable and fixes Thursday, the thirtieth day of January, one thousand nine hundred and nineteen, at eleven o'clock in the forenoon as the time and its rooms, 790 Broad Street, Newark, New Jersey, as the place of the hearing hereby called.

The Board hereby directs its Secretary to mail copies of this order, properly certified, to A. S. Burleson, Postmaster General of the United States, Washington, D. C., and The Delaware & Atlantic Telegraph & Telephone Company, which copies so mailed shall constitute notice of the hearing hereby called.

Dated January 20th, 1919.

No. 665.

IN THE MATTER OF INCREASED CHARGES FOR USE OF THE FACILITIES OF THE NEW YORK TELEPHONE COMPANY.

It appearing that the New York Telephone Company is a public utility as defined by "An Act Concerning Public Utilities to Create a Board of Public Utility Commissioners and to Prescribe its Duties and Powers" (Chapter 195, N. J. P. L. 1911); that the said New York Telephone Company is now being operated by A. S. Burleson, Postmaster General of the United States, by virtue of a joint resolution of Congress authorizing and empowering the President to take possession of any telephone system and to operate the same in such manner as may be needful or desirable for the duration of the war; that the said joint resolution of Congress expressly provides that nothing therein "shall be construed to amend, repeal, impair or affect existing laws or powers of the States in relation to taxation or the lawful police regulations of the several States, except wherein such laws, powers and regulations may affect the transmission of Government communications or the

New York Telephone Co.—Increased Charges, etc.

issue of stocks and bonds by such system or systems;" that the said A. S. Burleson in the operation of the New York Telephone Company is, therefore, subject in the particulars mentioned to the laws of New Jersey as they affect an individual operating a telephone plant or equipment for public use; that the system of the New York Telephone Company extends through and connects many municipalities in the State of New Jersey; that the system of the said Company is used for conversation by telephone between said municipalities, for which use, charges, commonly termed toll charges, are made; that certain classifications have been made and charges fixed by order of the Postmaster General which on and after January 21st, 1919, will result in a change or alteration of existing classifications and increases in rates, tolls and charges for use of the facilities of the New York Telephone Company; and it further appearing that the Act Creating a Board of Public Utility Commissioners and prescribing its powers and duties referred to herein provides that when any public utility as defined by said act shall "increase any existing individual rates, joint rates, tolls, charges and schedules thereof, as well as commutation, mileage and other special rates, or change or alter any existing classification, the Board shall have power either upon written complaint or upon its own initiative to hear and determine whether the said increase, change or alteration is just and reasonable," and "shall have power pending such hearing and determination to order the suspension of the said increase, change or alteration until the said board shall have approved said increase, change or alteration, not exceeding three months;" now, therefore, the Board of Public Utility Commissioners for the State of New Jersey, on this twentieth day of January, one thousand nine hundred and nineteen, ORDERS AND DIRECTS that all changes and alterations of existing classifications and increases in rates, tolls and charges proposed to be made effective on the twenty-first day of January, one thousand nine hundred and nineteen, in so far as the said changes, increases and alterations apply to the use of the facilities of the New York Telephone Company for conversations between places in the State of New Jersey, be suspended until the twentieth day of April, one thousand nine hundred and nineteen, unless the Board prior to said date shall approve the same.

American Telephone and Telegraph Co.—Increased Charges, etc.

The Board on its own initiative hereby calls a hearing to determine whether the changes and alterations of schedules and increases in rates, tolls and charges referred to herein are just and reasonable and fixes Thursday, the thirtieth day of January, one thousand nine hundred and nineteen, at eleven o'clock in the forenoon as the time, and its rooms, 790 Broad Street, Newark, New Jersey, as the place of the hearing hereby called.

The Board hereby directs its Secretary to mail copies of this order, properly certified, to A. S. Burleson, Postmaster General of the United States, Washington, D. C., and the New York Telephone Company, which copies so mailed shall constitute notice of the hearing hereby called.

Dated January 20th, 1919.

No. 666.

IN THE MATTER OF INCREASED CHARGES FOR USE OF THE FACILITIES OF THE AMERICAN TELEPHONE & TELEGRAPH COMPANY.

It appearing that the American Telephone & Telegraph Company is a public utility as defined by "An Act Concerning Public Utilities to Create a Board of Public Utility Commissioners and to Prescribe its Duties and Powers" (Chapter 195, N. J. P. L. 1911); that the said American Telephone & Telegraph Company is now being operated by A. S. Burleson, Postmaster General of the United States, by virtue of a joint resolution of Congress authorizing and empowering the President to take possession of any telephone system and to operate the same in such manner as may be needful or desirable for the duration of the war; that the said joint resolution of Congress expressly provides that nothing therein "shall be construed to amend, repeal, impair or affect existing laws or powers of the States in relation to taxation or

American Telephone and Telegraph Co.—Increased Charges, etc.

the lawful police regulations of the several States, except wherein such laws, powers and regulations may affect the transmission of Government communications or the issue of stocks and bonds by such system or systems;" that the said A. S. Burleson in the operation of the American Telegraph & Telephone Company is, therefore, subject in the particulars mentioned to the laws of New Jersey as they affect an individual operating a telephone plant or equipment for public use; that the system of the American Telephone & Telegraph Company extends through and connects many municipalities in the State of New Jersey; that the system of the said company is used for conversation by telephone between said municipalities, for which use, charges, commonly termed toll charges, are made; that certain classifications have been made and charges fixed by order of the Postmaster General which on and after January 21st, 1919, will result in a change or alteration of existing classifications and increase in rates, tolls and charges for use of the facilities of the American Telephone & Telegraph Company; and it further appearing that the Act Creating a Board of Public Utility Commissioners and prescribing its powers and duties referred to herein provides that when any public utility as defined by said act shall "increase any existing individual rates, joint rates, tolls, charges or schedules thereof, as well as commutation, mileage and other special rates, or change or alter any existing classification, the board shall have power either upon written complaint or upon its own initiative to hear and determine whether the said increase, change or alteration is just and reasonable," and "shall have power pending such hearing and determination to order the suspension of the said increase, change or alteration until the said board shall have approved said increase, change or alteration, not exceeding three months;" now, therefore, the Board of Public Utility Commissioners for the State of New Jersey, on this twentieth day of January, one thousand nine hundred and nineteen, ORDERS AND DIRECTS that all changes and alterations of existing classifications and increases in rates, tolls and charges proposed to be made effective on the twenty-first day of January, one thousand nine hundred and nineteen, in so far as the said changes, increases and alterations apply to the use of the facilities

Lumberton Light, Water and Sewerage Co.—Increased Rates.

of the American Telephone & Telegraph Company for conversations between places in the State of New Jersey, shall be suspended until the twentieth day of April, one thousand nine hundred and nineteen, unless the Board prior to said date shall approve the same.

The Board on its own initiative hereby calls a hearing to determine whether the changes and alterations of schedules and increases in rates, tolls and charges referred to herein are just and reasonable and fixes Thursday, the thirtieth day of January, one thousand nine hundred and nineteen, at eleven o'clock in the forenoon, as the time, and its rooms, 790 Broad Street, Newark, New Jersey, as the place of the hearing hereby called.

The Board hereby directs its Secretary to mail copies of this order, properly certified, to A. S. Burleson, Postmaster General of the United States, Washington, D. C., and the American Telephone & Telegraph Company, which copies so mailed shall constitute notice of the hearing hereby called.

Dated January 20th, 1919.

No. 667.

**IN THE MATTER OF THE APPLICATION OF THE LUMBERTON LIGHT,
WATER & SEWERAGE COMPANY FOR INCREASED RATES.**

1. Application is made by a company supplying water for public use for approval of increased rates.

2. Assuming that the expenses for 1919 will be substantially those of 1918, the proposed schedule will reduce a net revenue which, related to the present value of the property, would provide approximately 6 per cent. per annum for an appropriation for depreciation and for return on capital. The application is approved.

Richard B. Eckman, for the petitioner.

Lumberton Light, Water and Sewerage Co.—Increased Rates.

While the name of the petitioner is the Lumberton Light, Water & Sewerage Company, operating in the village of Lumberton, County of Burlington and State of New Jersey, it furnishes only a water supply.

The petition alleges that “the reason for the proposed increase is the need of additional revenue to meet (a) the increased costs of labor and materials required for the operation of its water-supply system and necessary for the maintenance of its works and structures; (b) increased taxes; (c) stationary revenues; and (d) reasonable dividends to its stockholders; and to appropriate and provide a fund for depreciation and the replacement of such of its property as is necessary from time to time.”

The company claims to have notified all parties affected that application was to be made to this Board for increased rates.

The proposed and existing rates of the company are shown in parallel columns following:

	Proposed Rate.	Existing Rate.
Dwelling-house—hydrant in yard or kitchen, ½-inch tap..	\$7.00	\$5.00
Bath tub, with other fixtures	3.00	2.00
Second spigot	3.00	2.00
Water closet, with other fixtures	3.00	2.00
Washstand, with other fixtures	2.00	1.00
Wash pave, with other fixtures	3.00	2.00
Wash pave, alone	7.00	5.00
Hotel bar	8.00	8.00
Hotel washbasin	7.00	5.00
Hotel washbasin, with other fixtures	3.00	2.00
Screw nozzle on house tap	3.00	2.00
Hydrant in double house, when owned by one person	14.00	8.00
Barn tap, two head of stock, with other fixtures	4.00	3.00
Barn tap, each additional head	1.00	1.00
Garage tap, two cars	7.00	.....
Garage tap, each additional car	1.00	.....
Garage tap, two cars with house tap	3.00	.....
Meter rate, per 1,000 gallons, 30 cents.		
Meter rate, minimum charge per annum, \$12.00.		

The petitioner further alleges that the operating revenues for 1917 were \$1,448.61 and the operating expenses were \$878.86, leaving a net revenue for the year of \$569.75. The company estimates that its revenue for the year 1918 will aggregate

Lumberton Light, Water and Sewerage Co.—Increased Rates.

\$1,461.66 and that its operating expenses and taxes will aggregate \$1,061.18, leaving a net revenue of \$399.48. The company submitted, in Exhibit P-2, a statement showing that for the year 1919 the estimate of its gross income would be \$1,522.75, if the present schedule were to remain in effect and that the corresponding revenue, if the proposed schedule be put in effect, will be \$2,013. This would indicate an increase of \$490.25 to be produced by the new schedule in comparison with the old schedule.

In Exhibit P-3 the company submitted a valuation made by William H. Boardman, which shows as the value of the property at its cost to reproduce new an amount of \$17,674, including physical property, \$500 for interest during construction and \$500 for organization, legal and other development expenses. From this amount, 10% of \$15,000, depreciable property, \$1,500 was deducted as the accrued depreciation, leaving a present value of \$16,174, which Mr. Boardman states is essentially also investment cost.

Assuming that the expenses for 1919 will be substantially those of 1918, the proposed schedule of rates will produce a net revenue of something less than \$1,000, which, related to the present value of the property, would provide approximately 6% per annum for an appropriation for depreciation and for return on capital. This does not appear to be unreasonable and for that reason the Board finds and determines that the petition will be granted, effective from Feb. 1st, 1919, subject, nevertheless to the challenge of any interested party.

Dated January 23d, 1919.

Tuckerton Gas Co.—Increased Rates.

No. 668.

IN THE MATTER OF THE APPLICATION OF TUCKERTON GAS COMPANY FOR FURTHER INCREASE IN RATES.

J. A. Riggins; for the petitioner.

W. E. Blackman, for Tuckerton.

The petition submitted in this matter is as follows:

“The petition of the Tuckerton Gas Company respectfully shows that it is a Utility of the State of New Jersey, furnishing illuminating gas in the Borough of Tuckerton, County of Ocean and State of New Jersey, to the inhabitants and the industries thereof.

“That the price of gas so furnished by your petitioner is uniform in the borough in which it is doing business and in the State and is as follows: \$1.60 per thousand (1,000) cu. feet.

“That the large increase in cost of gas, distribution and sale is due to conditions over which the company have no control and is the result of abnormal demands brought about by increased costs of manufacturing materials, labor charges, etc.

“That it is now necessary to make further increase in the sale of gas to \$1.83 per thousand (as the purchase price from the Ocean County Gas Co. has been increased 23 cents per thousand cubic feet for all gas sold to the Tuckerton Gas Company).

“Your petitioner therefore prays that it be allowed to charge its consumers \$1.83 per thousand cubic feet, which is an advance of twenty-three (23) cents per thousand cubic feet over the present rate, the advance being the same increase as made by the Ocean County Gas Company to this Company.”

Tuckerton Gas Co.—Increased Rates.

The Tuckerton Gas Company receives its supply of gas from the Ocean County Gas Company. In the Board's report in the matter of the application of the Ocean County Gas Company for further increase in rates, dated December 3d, 1918, an analysis of the increased cost of serving both the company's customers and the Tuckerton Gas Company was set forth in Table II. This indicates that whereas the cost of serving gas to the Tuckerton Gas Company earlier in the year was substantially \$1.05 per thousand cubic feet, production costs had increased with respect to the Tuckerton Gas Company by the amount of 23 cents per thousand cubic feet.

This application of the Tuckerton Gas Company, then, is, directly caused by and is in consequence of the increased production costs of the Ocean County Gas Company and it would appear to be reasonable to permit the Tuckerton Gas Company to add to its rate schedule heretofore existing the amount of 23 cents per thousand cubic feet.

The Board therefore finds and determines that the petition as filed will be granted, effective from February 1st, 1919, subject, nevertheless, to the following conditions:

1. That acceptance by the company of the further emergency increase of 23 cents per thousand cubic feet of gas sold herein allowed will be taken as a stipulation that abrogation or modification of this surcharge and of the war surcharge of 25 cents heretofore allowed may be made as and if conditions as indicated by operating revenue results warrant.

2. Beginning at the effective date of said schedule of rates, the company is to render reports monthly to the Board showing the Operating Revenues, Operating Deductions excluding General Amortization, Non-Operating Income, Income Deductions and balance available for Amortization, Dividends and Surplus and amount appropriated for General Amortization for each succeeding calendar month, with comparison with the figures for the corresponding month of 1917; and the Board will retain jurisdiction of the emergency surcharge as herein approved for the purpose of modifying or abrogating same as and if conditions change.

Dated January 23d, 1919.

New Jersey Northern Gas Co.—Re Complaint, etc.

No. 669.

**RE COMPLAINT AGAINST SERVICE AFFORDED BY THE NEW JERSEY
NORTHERN GAS COMPANY.**

Complaint is made of the service afforded by a gas company.

The Board finds that interruptions of service have occurred, due to lack of sufficient gas storage capacity, not having a reserve generating unit in condition to operate, and failure of employes to start the gas compressors early enough to assure an adequate pressure in the outlying districts in the early morning hours. The company is ordered to install additional facilities and to maintain adequate pressure.

C. C. Ruhlman, for Borough of Pennington.

J. A. Riggins, for the company.

L. Edward Herrmann, for the Board.

Several letters were received from Dr. John B. Garrison complaining of the failure of the company to supply service in Hope-well. There have been other complaints of frequent interruptions in the service. The Board deemed the matter of sufficient importance to call a hearing upon the question whether the New Jersey Northern Gas Company furnishes safe, adequate and proper service, and keeps and maintains its property and equipment in such condition as will enable it to do so.

December 10, 1918, at 11 a. m., State House, Trenton, N. J., was fixed as the time and place of hearing.

Mrs. N. Sked and Mrs. A. D. Clarkson gave testimony as to the frequent interruptions in the service and specified a number of days when no service could be had in Pennington between 6 and 7 o'clock in the morning, and other days when no gas could be obtained for domestic uses until late in the afternoon.

The Board's gas engineer, Edward B. Annett, who is familiar with the company's property and the territory it serves, had made several inspections of the property and also investigated the pressures and service. He testified the gas is manufactured at the

New Jersey Northern Gas Co.—Re Complaint, etc.

plant in Flemington, and that the unsatisfactory service to the consumers of gas in Hopewell and Pennington is due to the lack of pressure at certain hours on the high pressure lines through which these municipalities are supplied.

The company's charts show pressures and time but are very unsatisfactory. However, they clearly indicate the compressors are not started early enough in the morning to supply the high pressure system. While there is probably gas in the holder at the plant between 6 and 7 o'clock a. m., the compressor is not started early enough to put high pressure in the line in time to meet the early demand.

There has also been trouble with the generating apparatus, and one "shut down" was due to stoppage in the gas making machinery.

Hopewell is supplied from the company's plant at Flemington. As the gas compressors or pumps are steam driven, failure of sufficient supply of steam results in interruption in the supply of gas at Hopewell.

In September, 1918, there were some troubles due to defective boiler.

During the heavy wind storm the first Sunday in December (1918) the steel stack over the second boiler blew over so that it choked the draft to this boiler, resulting in an insufficient supply of steam to the compressors, which reduced the gas pressure on the Hopewell line.

There are two boilers at the Flemington plant. The one used as a reserve boiler is not kept in proper condition. Trouble with the main boiler, such as a blow out of a tube, would require them to shut down that boiler. If there was no second boiler ready for service, the plant would have to shut down. This demonstrates the necessity of having the first boiler in prime condition and the second boiler kept in good operating condition for reserve.

The plant of the company is very limited in holder capacity. It has a 30,000 cubic foot storage holder. The output is over 100,000 cubic feet a day and much of its difficulty is due to insufficient storage capacity. Operating a water gas set with one boiler is not to be recommended. The company should install at its Flemington plant a new storage holder having a capacity of not less than 100,000 cubic feet. It has been recommended for at

New Jersey Northern Gas Co.—Re Complaint, etc.

least two years, but the financial condition of the company, together with the difficulties of war finance, led the Board to refrain from ordering this improvement. We have recently allowed the company substantial increases in rates, which ought to increase the credit of the corporation.

The interruptions in service during the past year have been due to lack of sufficient gas storage capacity, not having a reserve generating unit in condition to operate, not having a reserve boiler unit in condition to operate, and failure of employees to start the gas compressors early enough to assure an adequate pressure in the outlying districts in the early morning hours.

The Board finds and determines that the New Jersey Northern Gas Co. does not furnish safe, adequate and proper service, nor keep and maintain its property and equipment in such condition as to enable it to do so.

That in order to furnish such safe, adequate and proper service, it should do the following:

1. Install at its Flemington plant a storage holder having a capacity of not less than 100,000 cubic feet.

2. Reconstruct the reserve boiler unit so that it can be used when necessary. The setting of this boiler was changed by a former superintendent of the company with a view to increasing its efficiency. The present superintendent, however, appears to have had considerable difficulty in operating the boiler, due to insufficient draft.

3. Operate its gas compressors at all times so that the pressure supplied by the mains in the outlying districts such as Pennington and Hopewell will comply in all respects with Rule XI of the order of this Board dated Oct. 17, 1911, and effective Nov. 15, 1911, which reads as follows:

“Gas pressure, as measured at meter inlets, shall never be less than one and one-half ($1\frac{1}{2}$) inches nor more than six (6) inches of water pressure; and the daily variation of pressure at the inlet of any one meter on the system shall never be greater than one hundred per cent. of the minimum pressure.”

If this rule is complied with, customers of the company will be able to obtain a sufficient supply of gas to cook early breakfasts.

New Jersey Northern Gas Co.—Re Complaint, etc.

4. Overhaul and start occasionally the smaller generating unit so that the company can be assured of a relief generating unit in the event of any trouble with the larger set.

An appropriate order will be made in accordance with these findings.

Regarding the construction of an additional storage holder at Flemington, however, the Board will at this time only require the company to furnish plans and details for the construction of such a holder, with an estimate of its costs, on or before June 1, 1919.

Dated January 28, 1919.

ORDER.

This matter having been duly heard and the Board having on the date hereof made and filed a report containing its findings of fact and conclusions thereon, which report, by reference thereto herein, is made part hereof, the Board of Public Utility Commissioners HEREBY ORDERS AND DIRECTS the New Jersey Northern Gas Company to do and perform the following:

1. Reconstruct the reserve boiler unit so that it can be used when necessary.

2. Operate its gas compressors at all times so that the pressure supplied by the mains in the outlying districts such as Pennington and Hopewell will comply in all respects with Rule XI of the order of this Board dated October 17, 1911 and effective November 15, 1911, which reads as follows:

“Gas pressure, as measured at meter inlets, shall never be less than one and one-half ($1\frac{1}{2}$) inches nor more than six (6) inches of water pressure; and the daily variation of pressure at the inlet of any one meter on the system shall never be greater than one hundred per cent. of the minimum pressure.”

3. Overhaul and start occasionally the smaller generating unit so that the company can be assured of a relief generating unit in the event of any trouble with the larger set.

4. File with the Board on or before June 1st, 1919, plans for a storage holder to be erected at Flemington having a capacity of not less than 100,000 cubic feet.

This order shall become effective February 19th, 1919.

Dated January 28th, 1919.

Cumberland County Gas Co.—Increased Rates.

No. 670.

CUMBERLAND COUNTY GAS COMPANY—APPLICATION FOR
INCREASE IN RATES.

In considering an application by a gas company for approval of increased rates the Board holds:

1. The Board should not determine different rates in various municipalities until such time as full and competent proof is submitted that uniform rates throughout the territory served would work undue and unjust discrimination as between the municipalities.

2. The industrial schedule submitted provides inequitable step rates instead of block rates. A customer using 99,000 cubic feet for so-called industrial purposes is charged \$99, whereas a customer using 101,000 cubic feet is charged \$90.90 and can use 11,000 cubic feet more for \$99 than the customer using the smaller quantity at the \$1 rate.

3. The so-called "industrial rates" should be reformed so as to cover blocks of consumption, the first block to have the highest or base rate, and subsequent blocks to have a progressively decreasing rate for increased blocks of consumption. Each customer, whether domestic or industrial, using gas in substantially the same manner, should pay the same price for gas used in each block.

4. A consumption of 160,000,000 cubic feet is taken in deriving the base rate. As a basis for return on capital there is taken the net amount of interest the company is obligated to pay on its outstanding funded debt and on the difference between its outstanding bills payable and bills receivable.

5. The fixed service charge is a reasonable means of meeting the higher costs alleged to exist in serving the smaller and more distant municipalities. Each customer, wherever located, has devoted to his individual use a service pipe and a meter which benefits no other customer than himself. This service pipe and meter costs the company a fixed annual amount and should be paid by the individual customer and should not be imposed on other customers as would be the case where the annual carrying cost of the service and meter is merged into an average rate.

6. A service charge and schedule of block rates are fixed for the petitioner to charge.

Lewis Starr and Herbert C. Bartlett, for the petitioner.

Louis H. Miller, for the City of Millville and Maurice River Township.

J. Ogden Burt, for Downe Township.

Cumberland County Gas Co.—Increased Rates.

S. W. Burd, for Vineland.

Benjamin Stevens for Landis Township.

J. Hampton Fithian, for Fairfield and Commercial Townships.

The petition alleges that the Cumberland County Gas Company was merged and consolidated as of January 1st, 1917, and “showed a present day investment value of seven hundred sixty-four thousand four hundred sixty dollars (\$764,460.00) and a value to reproduce new of eight hundred ninety-four thousand one hundred thirty dollars (\$894,130.00).”

That the petitioner manufactures and distributes gas throughout most of Cumberland County and part of Atlantic and Salem Counties as follows: Millville, Maurice River Township, Commercial Township, Downe Township, Lawrence Township, Fairfield Township, Landis Township, Deerfield Township, and the Borough of Vineland, all in Cumberland County; Buena Vista Township, Atlantic County, and Pittsgrove Township, Salem County, New Jersey.

That it published a notice in certain newspapers within its territory notifying its customers that owing to increased costs it would make application to this Board for increased rates.

That its present schedule of rates is as follows:

(a) The rate now charged for gas for light and domestic purposes in Millville, Landis Township, Vineland and Buena Vista Township through prepayment meters is one dollar (\$1.00) per thousand (1,000) cubic feet and in all other districts one dollar and fifty cents (\$1.50) per thousand (1,000) cubic feet through prepayment meters; in Millville where a few old customers still retain ordinary meters the rate is one dollar and twenty-five cents (\$1.25) per thousand (1,000) cubic feet with ten per cent. (10%) discount for payment on or before the tenth of the month.

Cumberland County Gas Co.—Increased Rates.

For industrial purposes the following prevail:

For quantities less than 100,000 cu. ft. per month.....	\$1.00 per M. cu. ft.
Up to 200,000 cu. ft. per month.....	0.90 per M. cu. ft.
Up to 300,000 cu. ft. per month.....	0.85 per M. cu. ft.
Up to 400,000 cu. ft. per month.....	0.80 per M. cu. ft.
Up to 500,000 cu. ft. per month or over.....	0.75 per M. cu. ft.

That the Board might afford the petitioner “certain relief from present unbearable conditions (hereinafter related) by allowing us to increase our rates with this “war charge” temporarily, beginning September 1st, 1918, as follows:

“In all dollar territory, for lighting and domestic use, sixty cents (60c.) per thousand cubic feet; in all dollar and a half territory thirty-five cents (35c.) per thousand cubic feet; for industrial purposes, an increase of twenty-five cents (25c.) per thousand cubic feet over present rates.”

That the Board should not consider in this petition the application of fixed service charges.

That the company needs an increase of income of not less than sixty-eight thousand six hundred fifty-nine dollars and twenty-eight cents (\$68,659.28) per year; that the company estimated that the imposition of the higher schedule for the sale of gas would result in a decrease in consumption of 7.5%.

During the hearings proof was offered that each municipality affected by this petition was duly notified by registered mail of the pendency of the proceeding and its nature.

During the course of the hearings the company proposed for consideration several forms of surcharges other than that contained in the original petition and finally submitted an amended petition, a copy of which was served on the representatives of the various municipalities concerned, from which the following is quoted:

“Your petitioner further prays that if your honorable body should determine for any reason that your petitioner is not entitled to the increase of rates as specifically set forth therein, that the entire subject of the necessity of your petitioner to have additional revenue may be considered upon this application, and such increase covering

Cumberland County Gas Co.—Increased Rates.

the entire territory or applicable to any one or more of the municipalities involved, may be granted to your petitioner as may be equitable both as to your petitioner and the inhabitants of the respective municipalities.” (Ex. P-13.)

It will be noted from a consideration of the schedule of rates in effect in the various municipalities that these rates are not properly proportioned, even though it be admitted that there is a difference in cost of serving various municipalities concerned. A base rate of one dollar (\$1.00) per thousand (1,000) cubic feet is provided for the “industrial gas” throughout the entire territory served, even though the annual consumption in any one district of such industrial gas may be as low as six or seven thousand cubic feet a year, whereas in certain districts, as, for instance, Maurice River and Commercial Townships, the rate for domestic customers, using more gas per annum per customer, is one dollar and a half (\$1.50). During the course of the hearings various arguments were advanced to show that one district or another district was entitled to a lower rate and the basis of these preferential rates was changed from time to time during the hearings. It was admitted, however, by the petitioner and the respondents, that they knew of no way to submit conclusive evidence to the Board indicating what the costs of service were in the various districts served. In view of the fact that the same schedule of rates of the largest gas utility in the State is, by recommendation of the Board, effective not only in the smallest village of a few hundred population, served by it, but also in cities of upwards of 400,000 population, this would indicate that the Board should not determine different rates in various municipalities until such time as full and competent proof be submitted that the schedule of uniform rates throughout the territory served would work undue and unjust discrimination as between the various municipalities.

Before proceeding to determine the amount of revenue that the company should receive and allocate it to classes of service, we will consider the statistics pertaining to its sales at different rates, submitted in the various hearings and also contained in its annual reports.

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In Exhibit P-10 the company shows its estimated output for the year 1918 and the rate at which such gas is now sold. This is shown in Table I, which follows:

TABLE I.

ESTIMATED GAS CONSUMED DURING 1918.

	Cu. Ft.	
	19,000,000	Sold at \$1.50 per M. cu. ft.
	3,600,000	Sold at 1.125 per M. cu. ft.
	121,000,000	Sold at 1.00 per M. cu. ft.
Subtotal	143,600,000	So-called domestic consumption.
	20,500,000	So-called industrial consumption.
Subtotal	164,100,000	Metered gas sales.
	3,100,000	Gas used for other purposes.
Total	167,200,000	Estimate of gas consumed.

The company estimates that the *average* rate at which its so-called industrial gas was sold during 1918 was \$0.882 per thousand cubic feet sold. The form of schedule under which this "industrial gas" was sold is improper and inequitable in several respects. It allows a consumer using a very small quantity for so-called industrial purposes to obtain an unduly preferential rate. For instance,

(a) Industrial gas sales for the half year in Maurice River Township were 3,200 cubic feet, sold at the rate of \$1 per thousand cubic feet. The domestic customer was required to pay \$1.50 per thousand, although he used, on the average, 50 per cent. more gas than the so-called industrial user. The classification of gas by its use only (instead of by the quantity and time of use) appears to be both inequitable and improper.

(b) The industrial schedule provides inequitable step rates instead of block rates. A customer using 99,000 cubic feet for so-called industrial purposes is charged \$99 for same, whereas a customer using 101,000 cubic feet is charged \$90.90 and can use 11,000 cubic feet more for \$99 than can the customer using the smaller quantity at the \$1 rate. The Board is of the opinion that the so-called "industrial rates" should be reformed so as to

Cumberland County Gas Co.—Increased Rates.

cover blocks of consumption, the first block to have the highest or base rate, and subsequent blocks to have a progressively decreasing rate for increased blocks of consumption. Each customer, whether domestic or industrial, using gas in substantially the same manner, should pay the same price for gas used in each block. Increased consumption will thus automatically carry the proper average rate in a manner which is equitable for all users.

ROUGH CLASSIFICATION OF GAS ACCORDING TO QUANTITY USED IN
TERMS OF "BASE RATE" GAS.

About 95% of the so-called industrial gas is sold in Millville, Vineland, Landis Township and Buena Vista, where a base rate of \$1.00 is now effective, and it is sold at an average rate of about \$0.882. In view of the fact that the cost of the gas in the holder is such a large percentage of the total cost of gas at the burner, as shown by the record in this case, and of the change in the form of schedule above suggested, it would appear reasonable to assume that the 20,500,000 cubic feet of so-called "industrial" or wholesale gas should, on account of quantity used, be weighted as 80% of the gas in the first block. All the gas would then be given the following weight in terms of the base rate:

Retail or domestic gas.....	143,600,000 cu. ft.
Wholesale or industrial gas (20,500,000 x 80 per cent.)..	16,400,000 cu. ft.
	<hr/>
Consumption, weighted in terms of the base rate gas.....	160,000,000 cu. ft.

This figure will be taken when it comes to deriving the base rate for gas hereinafter.

CAPITAL USED AND USEFUL.

The record in the matter of the Millville Gas Light Company et al., merger, forming the Cumberland County Gas Company, etc., was made a part of the record in this proceeding. In the merger proceeding an appraisal of the property of the Millville Gas Light Company and other companies merged into and now

Cumberland County Gas Co.—Increased Rates.

forming the Cumberland County Gas Company, showing a valuation in the amount set forth in the company's petition, was submitted in evidence to this Board. In its application for emergency relief, however, the company asked only for a return on capital equal to the net amount of interest it is obligated to pay on its outstanding funded debt of \$433,000 and on the difference between the outstanding bills payable and bills receivable, which the Board will take as a basis for the return on capital in this proceeding.

In Exhibit P-26 the company estimates its interest payable account at \$37,038 and its estimated non-operating revenue, composed chiefly of interest payable items, at \$11,840. The difference between these two would indicate that the net interest to be provided for capital is \$25,198.

OPERATING EXPENSES.

In Exhibit P-26, the company estimates that its operating expenses and taxes for the year 1918, corrected for increased cost prevailing at the time of the last hearing in this case, would amount to \$241,260. This includes, however, an appropriation for depreciation which is estimated to aggregate approximately \$24,350 for the year. The annual depreciation charge on the capital used and useful at the time of the merger was estimated by the Board's engineer to aggregate considerably less than this amount, and the company's appraisal engineer in calculating the amount of accrued depreciation in property in the merger proceedings used tables which would indicate very much smaller annual depreciation. In 1917 the company appropriated \$29,741.54 for this item and in the year or two preceding appropriated considerably more than was required to take care of the depreciation accruing during the current year. The testimony of the company's manager in the merger case (p. 48) is quite pertinent in this connection. He stated:

"I think we have been charging off too large an amount for amortization in the Millville Gas Light Company. It amounts to a little over six per cent. of the investment, and, of course, that goes into the..... taken out of the profit and loss account, you understand, so we have

Cumberland County Gas Co.—Increased Rates.

a surplus now of about thirty-five thousand dollars. We ought to have a surplus, if that was cut down to where I really think that ought to be, somewhere around three or three and a half per cent., it would make our surplus around seventy-five thousand dollars.”

In consideration of the fact that the company has so largely over-appropriated with respect to annual depreciation or amortization during the past few years, it would appear that substantial justice will be done if the small figure of \$12,500 be assumed as a basis for the appropriation for general amortization or depreciation in this emergency proceeding. This would indicate that \$11,848 should be deducted from the company’s estimate of operating expenses and taxes. This would reduce the modified “deductions from revenue” to the amount of \$229,412. In order to ascertain the amount of revenue which should be derived from the sale of metered gas, the items of revenue deductions and net interest on capital will be brought together in Table II, which follows:

TABLE II.

REVENUE DEDUCTIONS FOR 1919 AS ESTIMATED BY COMPANY AND ADJUSTED BY THE BOARD.

	Amount.	Average Rate Per M. Cu. Ft. Accounted For.
1. Operating expenses and taxes estimated by company	\$241,260	\$1.4429
2. Deduct excess amortization appropriated	11,848	0.0708
3. Modified deductions from revenue	\$229,412	1.3721
4. Net interest to be provided for capital	25,198	0.1507
5. Total operating revenue required	\$254,610	1.5228
6. Deduct residuals sold (\$1,962 x 2)	3,924	0.0235
7. To be provided by gas consumed	\$250,686	1.4993
8. Deduct gas other than metered (pro rata 3,100 M. cu. ft.)	4,648	1.4993
9. Balance to be derived from metered gas (164,100 M. cu. ft.)	\$246,038	1.4993
10. Deduct revenue to be produced by fixed service charge	19,500	0.1188
Revenue to be derived from gas as metered ..	\$226,538	1.3905

Cumberland County Gas Co.—Increased Rates.

Table II shows that the revenue which is to be derived from the sale of metered gas of all kinds is \$226,538. This amount being divided by 160,000 M. cu. ft. of *weighted* gas gives a base rate of \$1.416. In view of the record, this may reasonably be taken at \$1.45 or the base rate for gas sold in the first block, independently of the fixed service charge.

FIXED SERVICE CHARGES. THESE DO NOT INCLUDE ANY GAS.

In its petition, the company expressly asked the Board not to make a fixed service charge a part of its schedule of rates. The Board cannot equitably grant this request. The facts adduced in the course of the hearings tend to convince the Board that the fixed service charge is a reasonable means of meeting the higher costs alleged to exist in serving the smaller and more distant municipalities. Each customer, wherever located, has devoted to his individual use a service pipe and a meter which benefits no other customer than himself. This service pipe and meter costs the company a fixed annual amount which should be paid by the individual customer and should not be imposed on other customers as would be the case where the annual carrying-cost of the service and meter is merged into an average rate. The annual carrying charges for the average service and meter in the territory served by the petitioner appear to be substantially the same as that shown in other cases heretofore decided by the Board, in which cases the Board imposed the following schedule of fixed service charges:

For each connected customer served through a three or five light meter, the company may charge 25 cents a month as a fixed service charge without gas. For customers served through larger sized meters, this fixed service charge should be increased by an amount equal to one cent per month for each increase of one light in the capacity of the meter above the said five light capacity.

It would appear reasonable that this form of rate should be made a part of the schedule of rates of the petitioner.

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SCHEDULE OF BLOCK RATES.

It has been indicated hereinabove that the base rate for the first block of consumption should be taken at \$1.45. The following schedule of rates for the consumption of gas actually used in various blocks appears reasonable and should be applied to the consumption of all customers without distinction as to the purpose for which the gas is taken.

For gas consumed per month (in addition to the fixed service charge based on the size of the meter)—

From	100	to	25,000 cubic feet.....	\$1.45
For the excess over	25,000	and up to	50,000 cubic feet.....	1.40
For the excess over	50,000	and up to	75,000 cubic feet.....	1.35
For the excess over	75,000	and up to	100,000 cubic feet.....	1.30
For the excess over	100,000	and up to	150,000 cubic feet.....	1.25
For the excess over	150,000	and up to	200,000 cubic feet.....	1.20
For the excess over	200,000	and up to	300,000 cubic feet.....	1.15
For the excess over	300,000	and up to	400,000 cubic feet.....	1.10
For the excess over	400,000	and up to	500,000 cubic feet.....	1.05
For the excess over	500,000		cubic feet.....	1.00

This schedule of rates will result in the following *average* rates for the corresponding amounts of *gas consumed*:

For	25,000 cubic feet a month the average rate is.....	\$1.45
For	50,000 cubic feet a month the average rate is.....	1.425
For	75,000 cubic feet a month the average rate is.....	1.40
For	100,000 cubic feet a month the average rate is.....	1.375
For	150,000 cubic feet a month the average rate is.....	1.333
For	200,000 cubic feet a month the average rate is.....	1.30
For	300,000 cubic feet a month the average rate is.....	1.25
For	400,000 cubic feet a month the average rate is.....	1.213
For	500,000 cubic feet a month the average rate is.....	1.18
For	600,000 cubic feet a month the average rate is.....	1.15
For	700,000 cubic feet a month the average rate is.....	1.127
For	800,000 cubic feet a month the average rate is.....	1.113
For	900,000 cubic feet a month the average rate is.....	1.10
For	1,000,000 cubic feet a month the average rate is.....	1.09

The record indicates that substantially all of the increased costs per thousand cubic feet incurred by the company are those in-

Cumberland County Gas Co.—Increased Rates.

cident to the manufacture of the gas, the so-called "holder cost." This increase over 1915 amounts to between 40 and 50 cents per thousand cubic feet, and applies equitably to all gas sold. If a rate of \$1.00 were fair in 1915 it would appear that an emergency rate of 40 or 50 cents more would be fair under existing conditions. The foregoing schedule effects this increase and eliminates the inequalities of the step rate now in force.

The Board therefore finds and determines:

1. That the petition as filed in this case should be and is hereby dismissed.
2. That the company may file the following schedule of rates effective as of the date of this report.

(a) GRADUATED FIXED SERVICE CHARGE.

(In addition to a charge for gas actually consumed).

For three and five-light meters the fixed service charge shall be twenty-five cents per month. For each one-light increase in capacity above five-light, add one cent per month.

(b) UNIFORM SCHEDULE OF RATES TO BE CHARGED IN PROPORTION TO THE CONSUMPTION OF GAS.

From	100	to	25,000 cubic feet.....	\$1.45
For the excess over	25,000	and up to	50,000 cubic feet.....	1.40
For the excess over	50,000	and up to	75,000 cubic feet.....	1.35
For the excess over	75,000	and up to	100,000 cubic feet.....	1.30
For the excess over	100,000	and up to	150,000 cubic feet.....	1.25
For the excess over	150,000	and up to	200,000 cubic feet.....	1.20
For the excess over	200,000	and up to	300,000 cubic feet.....	1.15
For the excess over	300,000	and up to	400,000 cubic feet.....	1.10
For the excess over	400,000	and up to	500,000 cubic feet.....	1.05
For the excess over	500,000		cubic feet.....	1.00

3. Acceptance by the company of the increases herein allowed will be taken as stipulation that abrogation or modification of the emergency surcharge may be made as and if conditions as indicated by operating results both as to revenue and the character of service rendered warrant.

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4. Beginning at the effective date of the said schedule of rates, the company is to render reports monthly to the Board showing the Operating Revenues, Operating Deductions excluding General Amortization, Non-Operating Income, Income Deductions and balance available for Amortization, Dividends and Surplus and amount appropriated for General Amortization, for each succeeding calendar month, with comparison with the figures for the corresponding month of the preceding year. This statement may preferably follow the form shown in the annual report for gas utilities (pages 21, Income statement; 22, lines 1 to 11, Operating Revenues; 26, lines 27 to 37, with amount appropriated to Amortization, Account 495, stated separately under VI). And the Board will retain jurisdiction of the emergency surcharge as herein approved, for the purpose of modifying or abrogating the same as and if the conditions change.

Dated January 28, 1919.

No. 671.

PAUL J. O'NEILL AND MRS. C. A. BYRD

VS.

ATLANTIC COUNTY WATER COMPANY OF NEW JERSEY.

1. Where service on a flat rate basis was supplied a customer of a water company for more than one year after application was made for a meter and the flat rate charge exceeded the minimum, the Board cannot rule that the customer should be billed at the minimum rate for a period prior to the installation of the meter.

2. It is a common and not unlawful practice for metered and flat rate service to be afforded in the same community. There is no guarantee in a given case that the quantity of water supplied on a measured basis will not exceed the quantity allowed for the minimum charge.

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3. Water companies have a right to install meters where there is evidence of waste of water, although the customer may object. This right does not rest solely upon the protection of the company's interest, but upon the principle that the public interest is against a waste of potable water.

4. Whether a water company should be required to supply meters to all its customers would depend upon whether, with due regard given to the conditions existing in the community and the financial condition of the company, this would be reasonable and practicable.

5. A user of water cannot be relieved by the Board of payment for water, on the same basis as other customers similarly situated, because of an agreement with a predecessor to the company to supply service free, or at a reduced rate in return for use of a pipe laid at the customer's expense.

6. If there was an indebtedness for which the existing company as successor is liable and the matter cannot be settled by agreement, if the complainant desires to press the claim this would have to be done before a court having jurisdiction.

7. Where, as a result of a long period of exceptionally cold weather, water in pipes froze and it appears the company was not negligent, that it made reasonable efforts to keep its customers supplied with water and that its bills covering the period were generally paid, the Board cannot order the company to reduce, because of interruption in the service, an unpaid bill. If this were done it would be necessary, to prevent unlawful discrimination, for the company to make refunds to its other customers. The Board has no authority to order refunds.

Frank S. Katzenbach, Jr., for the Company.

Paul J. O'Neill, a complainant in this proceeding, alleged that he had made application to the Atlantic County Water Company of New Jersey for a meter; that he was promised a meter would be installed by November 1st, 1917, but that no meter was installed and that he had been unable to obtain one. It was alleged also that meters had been installed for others, who had not asked for them, and it was claimed that if the company found it to be more advantageous to install meters for others, complainant should be entitled to the company's rate for metered service.

The complaint was investigated by the Board's inspector, who recommended that the company install and maintain a meter at the complainant's premises.

As the company did not adopt this recommendation the matter was placed on the calendar for hearing, of which notice was given to Mr. O'Neill and the company. At the hearing the company was represented. The complainant did not appear.

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Testimony was given by the company's witness to the effect that out of 1,700 consumers approximately 600 were supplied on a flat rate basis; that it was the company's intention to supply all its customers through meters, but that conditions had been such it had been unable to do this. It was claimed that the company had meters on hand for its other customers and would install them as promptly as it could. It was denied that there had been any discrimination against Mr. O'Neill.

The hearing was held on January 7th, 1919. Since then the Board has been advised that a meter has been installed at Mr. O'Neill's premises. The complainant in a recent communication to the Board asks the question whether in view of the delay in installing the meter he should not be charged since December 1st, 1917, at the minimum rate for metered service instead of at the fixture rate, which in his case is in excess of the minimum charge. The Board cannot rule that he should be so billed. A minimum charge with a quantity rate is regarded as the best method of charging for water. It is not, however, a universal practice to so charge. It is a common and not unlawful practice for metered and flat rate service to be afforded in the same community. There is no guarantee in a given case that the quantity of water supplied on a measured basis will not exceed the quantity allowed for the minimum charge. In this case the complainant feels aggrieved because the company did not more promptly install a meter, believing that with such installation the charge to him would not exceed the minimum. In other cases complaints are made of the action of water companies in placing meters on customers' premises without any request for them, the complainants believing that when the water used is measured and charged for, their bills will increase.

Water companies have a right to install meters where there is evidence of waste of water, although the consumer may object. This right does not rest solely upon the protection of the company's interest but upon the principle that the public interest is against a waste of potable waters. Whether a water company should be required to supply meters to all its customers would depend upon whether, with due regard given to the conditions exist-

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ing in the community and the financial condition of the company, this would be reasonable and practicable. From the record in this case the Board cannot hold that the complainant, O'Neill, has been unduly discriminated against, nor can the Board relieve him of the obligation to pay for water at the company's fixture rate up to the time the meter was installed. This would be in accordance with the following for such fixtures as the complainant has at his premises:

Kitchen spigot	\$7.00 per annum.
Wash basin	1.50 per annum.
Closet (flush)	3.00 per annum.
Bath	3.00 per annum.
Laundry tubs	1.50 per annum.
Extra spigots	1.50 per annum.
Sprinkler	3.00 per annum.

From the date of the installation of the meter the minimum charge and metered rate would apply as follows:

First 30,000 gallons at .33 1/3 per thousand,	\$10.00 annual minimum.
Next 20,000 gallons at .35	per thousand.
Next 50,000 gallons at .20	per thousand.

The complaint of Mrs. C. A. Byrd was heard at the same time as the complaint of Paul J. O'Neill, and because it is against the same company and in part relates to the company's failure to install a meter at a property owned by Mrs. Byrd, it is dealt with in this report. Mrs. Byrd, though given notice of the time and place of hearing, did not appear. The Board is in receipt of a letter from the company stating that a meter was installed at Mrs. Byrd's property on January 17th.

In a letter dated January 29th, Mrs. Byrd writes to the effect that the company installed a meter at her house on New Road and Sheffield Avenue, but that because the house was not occupied she had the water "cut off the second week of this month." She now asks if she must pay the company's charge with the water cut off. If the water supply was discontinued by the company on request of Mrs. Byrd, the meter should not have been installed until a request for further service was made by her. She should not be

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charged, therefore, the minimum charge on the assumption that as a connected customer she is being afforded measured service, if she does not want the company to supply water to her property. Having, however, complained of inability to obtain a meter, and the company apparently as a result of her complaint and insistence upon the installation of a meter, installed the same, if it is her desire now to have the meter removed and later she wants the premises connected it would not be unreasonable in such case for the company, if all the properties supplied by it are not metered, to have the option whether it will supply her with metered service or on the flat rate basis. What has been said with respect to payment for water in discussing the O'Neill complaint would apply also to the complaint of Mrs. Byrd. Mrs. Byrd also raises a question as to the company's obligation to her because of the use of a pipe which she claims was laid at her expense by agreement with the Pleasantville Water Company upon certain conditions.

The Pleasantville Water Company became insolvent. A receiver was appointed for it, its property sold and it is no longer in existence as a public utility, the Atlantic County Water Company of New Jersey now supplying water in Pleasantville. At the hearing on Mrs. Byrd's complaint, the superintendent of the Atlantic County Water Company of New Jersey stated:

"Our position in this matter has been that if she had an agreement with the Pleasantville Water Company, our predecessors, for compensation for this pipe line, that that claim should have been presented when the receiver advertised for claims against the company, that we, the Atlantic County Water Company bought the plant free of such encumbrances. However, I do not think there has been any agreement for compensation. I have been told by my predecessor that there wasn't any such agreement and that the company did not allow or did not offer to recompense her for her outlay of money in running the service line."

Whatever the facts may be as to an agreement between the complainant and the Pleasantville Water Company the Board

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cannot require the Atlantic County Water Company of New Jersey to supply service to her without charge, or at a reduced rate. If there was an indebtedness to her of the Pleasantville Water Company, for which the Atlantic County Water Company of New Jersey as its successor is liable, and the matter cannot be settled by agreement, if she desires to press her claim this must be done before a court having jurisdiction in the matter. If supplied with service Mrs. Byrd must pay either the flat or metered rate which the company charges the other customers, according to whether flat rate or metered service is afforded.

The Board cannot relieve her of this obligation because of any dispute as to the terms of an agreement with the old company.

The complainant alleges that for a time during the winter of 1917-1918 the company did not supply water to her, and asks if she should not be relieved of any payment to the company during such time. It was admitted by the company that service was for a time interrupted owing to freezing of water in mains and service pipes. This was due to a long period of exceptionally cold weather which affected the supply of water in all parts of the State. Testimony was given to the effect that the company made reasonable efforts to keep its customers supplied with water, and it does not appear that the freezing of the water in the mains was due to the company's negligence. If the complainant should be relieved of payment of the company's bill because of the interruption to service it would be necessary, to prevent unlawful discrimination, for the company to make refunds to its other customers who have paid their bills for the time which included the period during which the mains were frozen.

The Board has no authority to order this, and must rule that the complainant should receive the same treatment other customers similarly situated receive.

Dated February 4th, 1919.

Bd. of Freeholders of Ocean Co.—Extension of Hamilton Ave.

No. 672.

APPLICATION OF BOARD OF CHOSEN FREEHOLDERS OF THE
COUNTY OF OCEAN FOR PERMISSION TO EXTEND HAMILTON
AVENUE, IN SEASIDE HEIGHTS, OVER THE TRACKS OF THE
PHILADELPHIA & LONG BRANCH RAILROAD, AT GRADE.

1. A petition is submitted asking the Board to vacate a railroad crossing at grade and to order a new crossing at another point.

2. As the petition does not refer to the grade crossing act, the petitioner is not the body who may lawfully bring a petition under the act, the required notice has not been given to the parties interested and no satisfactory plan of elimination or substitution is submitted, the Board is without power to act.

Berry & Riggins, for petitioner.

Alan H. Strong, for Philadelphia & Long Branch Railroad Company.

Ward Kremer, for Borough of Seaside Heights.

On May 1st, 1918, the Board of Chosen Freeholders of the County of Ocean filed a petition with this Board alleging Hamilton Avenue in the Borough of Seaside Heights to be a county road; that the vehicular traffic on said avenue and on the County Boulevard in the said Borough is very heavy, especially during the summer season, and that it is a source of great inconvenience to the general public to be obliged to use West Central Avenue and Sumner Avenue instead of crossing the railroad tracks at Hamilton Avenue. Permission was asked for the extension of Hamilton Avenue across the said railroad tracks and the establishment of a grade crossing at the intersection of Hamilton Avenue and the railroad.

On October 15th, 1918, the original petition was amended by adding,

“The railroad crossing at Sumner Avenue in the Borough of Seaside Heights, is on a level with the railroad and is dangerous to the public safety because of the

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large amount of vehicular traffic over the said crossing, and the fact that practically all of said traffic is directed either to or from the bridge across Barnegat Bay hereinbefore referred to, and to the fact that in making said crossing, two or three right angle turns are necessary. Thousands of automobiles traverse Sumner, West Central and Hamilton Avenue each day, and especially during the summer season, either to and from said bridge, and it is a source of great inconvenience to the general public to be obliged to use a railroad crossing at Sumner Avenue and public travel on Sumner Avenue is very much impeded. .

Your petitioner, therefore, prays that Sumner Avenue, where it crosses the railroad tracks be vacated, and that the said crossing be abolished, and that a new crossing in the place of the crossing now at Sumner Avenue be relocated at Hamilton Avenue across said railroad tracks.”

Hearings were held at Trenton, July 11th, and November 19th, 1918, but briefs of counsel were not filed until December 10th, 1918, and January 20th, 1919.

The Board of Chosen Freeholders petition to have that part of Sumner Avenue over the right of way of the Philadelphia & Long Branch Railroad vacated and a new grade crossing established at Hamilton Avenue, which is located about 450 feet from the present crossing on Sumner Avenue. Hamilton Avenue is an opened street extending to the line of the right of way of said railroad on both sides thereof.

The Borough of Seaside Heights does not object to the additional grade crossing at Hamilton Avenue, but insists on the maintenance of the existing one at Sumner Avenue.

Counsel for the petitioner rely on Chapter 57, Laws of 1913, known as the Fielder Grade Crossing Act, to support their claim that this Board has the power to relocate or vacate public highways.

Section 1 of the said act reads as follows:

“1. Whenever a public highway and a railroad cross each other at the same level and it shall appear to the Board that such crossing is dangerous to public safety, or that the public travel on such highway is impeded

Bd. of Freeholders of Ocean Co.—Extension of Hamilton Ave.

thereby, the Board of Public Utility Commissioners may order the company operating such railroad, within such time as said Board may fix, to alter such crossing according to plans to be approved by said Board, by substituting therefor a crossing not at a grade of such public highway either by carrying such public highway under or over such railroad, or by reconstructing such railroad under or over such public highway, or by vacating, relocating or changing the lines, width, direction or location of such highway and the opening of a new highway in the place of the one ordered vacated."

The said act in a subsequent section sets forth that the Board or body having charge of the finances of any municipality wherein a dangerous grade crossing exists may present to this Board a petition in writing, setting forth the facts upon which relief under the act is sought, or upon the petition of any railroad company whose tracks cross or are crossed at grade, or the Board of Public Utility Commissioners may, of its own motion, proceed with respect to any such crossing; whereupon the Board shall fix a time and place for a hearing before it, and shall give notice to the municipality and all other parties interested therein; and after such hearing, shall determine or order what alterations to or changes shall be made. Other sections of the act relate to the manner in which the expense and damage incident to such change or relocation shall be paid.

The petition does not refer to the grade crossing act and it could not be successfully claimed that the Board of Chosen Freeholders of Ocean County is the "body having charge of the finances of the municipality" (Seaside Heights) wherein the alleged dangerous crossing exists. The required notice of the desired change in the streets has not been given to the parties interested, and no satisfactory plan of elimination or substitution is submitted. We are asked to arbitrarily vacate that portion of Sumner Avenue which crosses the railroad tracks and open a new highway (where none now exists) across the same railroad right of way at Hamilton Avenue.

The Board is without power to so act in the pending proceedings and the petition must, therefore, be dismissed.

Dated February 4th, 1919.

Lakewood Gas Co.—Increased Rates.

No. 673.

LAKEWOOD GAS COMPANY—IN RE APPLICATION FOR INCREASED RATES.

1. A gas company is allowed to increase rates to meet increased operating costs but a schedule of discounts varying from 10 to 25 cents per thousand cubic feet is disapproved.

2. There does not seem to be any reason that a large wholesale customer should forfeit 20 per cent. for failure to pay that part of his bill in excess of a monthly consumption of 60,000 cubic feet within ten days, whereas the retail customer or user in small quantities, who usually entails a larger percentage of expense in collection, should suffer a penalty for non-payment within ten days of only six or seven per cent.

L. C. Ritchie, for the petitioner.

L. Edw. Herrmann, for the Board.

The petition alleges that the Lakewood Gas Company has constructed and is maintaining and operating a gas plant for supplying gas in the Town of Lakewood and Township of Lakewood; that, for the purpose of constructing its gas plant and extensions thereto, the petitioner has issued \$100,000 of capital stock and \$100,000 of first mortgage 5% bonds, in addition to which it has borrowed sums aggregating \$82,219.47 up to January 1st, 1918.

That, having operated its own plant from 1900 to 1912, with yearly deficits, in June, 1912, its board of directors approved a plan to enter into a contract with the Coast Gas Company by the terms of which the latter was to supply all the gas required by the petitioner.

That the Board, in its report in the matter of the application of the Coast Gas Company, in re increase in rates for gas, granted an increase to the Coast Gas Company due to high war costs of \$0.299 per thousand cubic feet with respect to the gas sold to the Lakewood Gas Company, this having been found to be its proper proportion of the authorized increase due to the added cost of production during these abnormal times.

Lakewood Gas Co.—Increased Rates.

That due to the new rate charged to the Lakewood Gas Company it finds its losses accumulating so rapidly that immediate relief is sought through an increase of rates from the present schedule, which is

Gas consumed up to 1,000	\$1.50 per M. cu. ft.
from 1,000 to 5,000	1.25 per M. cu. ft.
5,000 or over	1.00 per M. cu. ft.

To the new schedule of—

	Rate Per M.	10 da. Dis. Per M.	Net Rate Per M.
First 20,000 feet.....	\$1.50	\$0.10	\$1.40
Next 40,000 feet.....	1.50	0.20	1.30
Over 60,000 feet.....	1.50	0.25	1.25

In addition to the above a service charge as follows:

For each connected customer served through a 3 or 5-light meter, a fixed service charge of 25 cents per month. For customers served through a larger meter, an additional service charge of one cent per light increase in the capacity of the meter. This schedule of fixed service charges includes no gas and is simply understood to be a war surcharge to be added to the above schedule of rates proposed to be effected and as hereinbefore recited.

That the increased cost of the gas at Lakewood will be \$10,105.33, and that the new rate proposed will produce \$9,129.40. It is proposed that the new rate shall remain in effect until modified or abrogated by the Public Utility Commission.

The company gave due notice of its intention to apply to the Board for additional rates to the municipal authorities in writing and to the public by notice in the local newspaper, which notices stated the time and place of the first hearing held on November 27th, 1918.

CAPITAL USED AND USEFUL.

In its report in the matter of the application of the Coast Gas Company, in re increase in rates for gas, Table I allocated \$104,133 of the capital of the Coast Gas Company to the off-peak service of the Lakewood Gas Company. About the end of the year 1911 the Board's engineer made a valuation of the plant

Lakewood Gas Co.—Increased Rates.

of the Lakewood Gas Company on the basis of reproduction cost new. Including the additions since that date at the cost shown in the annual reports to this Board, the total of the appraisal of 1911 somewhat modified and of these additions is approximately \$180,000, value new. In view of the fact, however, that upwards of \$96,000 of the value of plant and mains of the Coast Gas Company, assigned to the service of Lakewood, is devoted to the delivery of the gas manufactured in Belmar to the Lakewood distribution system, there is a duplication of plant values. Eliminating this duplication would indicate that the value new of the property of the Coast Gas Company and of the Lakewood Gas Company devoted to the service of gas is approximately \$240,000.

If the operating expenses and taxes of the Lakewood Gas Company for 1918 be calculated on the basis of substantially 74 cents cost of gas purchased from the Coast Gas Company, the rates applied for will afford a return of substantially 6% on the capital above referred to.

The schedule of net rates which the company seeks permission to file appears to be just and reasonable. The schedule of discounts, however, does not meet with the approval of the Board as they vary from 10 to 25 cents per thousand cubic feet, dependent upon the quantity used. There does not seem to be any reason that a large wholesale customer should forfeit 20% for failure to pay that part of his bill in excess of a monthly consumption of 60,000 cubic feet within 10 days, whereas the retail customer or user in small quantities, who usually entails a larger percentage of expense in collection, should suffer a penalty for non-payment within ten days of only 6 or 7%.

GAS UNACCOUNTED FOR.

In view of the increasing cost of gas-making materials and of the manufactured product, it becomes increasingly important that the company should seek economies in all possible directions. The unaccounted for gas of the Lakewood Gas Company has ranged from 15 to 17% during the last eight years. In 1917

Lakewood Gas Co.—Increased Rates.

the Lakewood Gas Company purchased 33,797 M. cubic feet of gas and the gas unaccounted for was 5,401 thousand cubic feet, or 16%. For purposes of comparison, however, the percentage of unaccounted for gas is not very relevant for the reason that if gas pressure is kept on the system of mains the amount of leakage will be fixed whether any gas is sold or not. If the sales are small the percentage of leakage will be high; if sales ceased the percentage of leakage would equal 100% of the gas delivered to the mains. It would appear that the percentage of gas should be related more particularly to the length and diameter of the mains, that is to say, to the product of the diameter of the mains by their length in miles (although service pipes frequently leak badly also). Competent gas engineers have made investigations, the results of which showed that a low pressure gas system when properly conducted should reduce its leakage in terms of 4-inch mains to approximately 150,000 cubic feet of gas per annum of "unaccounted-for-gas." This may be taken as 40,000 cubic feet per inch-mile of main.

The Lakewood distribution system contained in 1917 84.7 miles. This would indicate 83,766 cubic feet per inch-mile for unaccounted for gas, which is approximately 60% too high for this item. If in 1917 the company's leakage had been but 40,000 cubic feet per inch-mile of main, it would have been unnecessary to buy 2,013 M. cubic feet of gas, which, computed at 73.9 cents per thousand cubic feet, would have reduced its expenses by the amount of \$1,488. The Board recommends, therefore, that the company, in the interests of efficiency and economy, make a survey of its distribution system to the end that this excessive leakage be decreased to a proper amount.

The Board therefore finds and determines:

1. That the schedule of rates as applied for does not meet with the approval of the Board.

2. That the company may file the following schedule of rates, subject to the conditions hereinafter stated, viz.:

- (a) Graduated fixed service charge (in addition to a charge for gas actually consumed).

Lakewood Gas Co.—Increased Rates.

For each connected customer served through a 3 or 5-light meter, a fixed service charge of 25 cents per month. For customers served through a larger meter, an additional service charge of 1 cent per light increase in the capacity of the meter. This schedule of fixed service charges includes no gas and is simply understood to be a war surcharge to be added to the schedule of rates hereinafter recited.

(b)	Rate Per M.	10 da. Dis. Per M.	Net Rate Per M.
First 20,000 feet.....	\$1.45	\$0.05	\$1.40
Next 40,000 feet.....	1.35	0.05	1.30
Excess over 60,000 feet.....	1.30	0.05	1.25

3. This schedule may be effective for sales made on and after the filing of same by the petitioner.

4. Acceptance by the company of the increases herein allowed will be taken as a stipulation that abrogation or modification of the emergency increases herein allowed may be made as and if conditions as indicated by operating results both as to revenue and the character of service rendered warrant.

5. Beginning at the effective date of said schedule of rates, the company is to render reports monthly to the Board showing the Operating Revenues, Operating Deductions excluding General Amortization, Non-Operating Income, Income Deductions and balance available for Amortization, Dividends and Surplus and amount appropriated for General Amortization, for each succeeding calendar month, with comparison with the figures for the corresponding month of the preceding year. This statement may preferably follow the form shown in the annual report for gas utilities (pages 21, Income Statement; 22, lines 1 to 11, Operating Revenues; 26, lines 27 to 37, with amount appropriated to Amortization, Account 495, stated separately under VI). And the Board will retain jurisdiction of the emergency surcharges as herein approved, for the purpose of modifying or abrogating the same as and if conditions change.

Dated February 4th, 1919.

Oscar H. Price vs. Egg Harbor City Water Co.

No. 674.

OSCAR H. PRICE

VS.

EGG HARBOR CITY WATER COMPANY.

A water company having submitted a schedule calling for a minimum rate of \$12.00 per year collects the minimum semi-annually, failing to give the customer the benefit of the total quantity consumed during the year. *Held—*

1. The proposition to render bills semi-annually with "each period of consumption standing by itself" does not appear prima facie to be unreasonable; but the company's filed schedule seems to be capable of no construction other than that the minimum meter rates are chargeable by the year, and that any excess charged for must be an excess accumulated during the year, over and above the quantity named in the schedule.

2. If the company desires to charge in any other way it must submit to the Board for filing its plan for such charging.

A. C. Goller, for the Company.

The complaint in this proceeding is expressed in a letter signed by Oscar H. Price, addressed to the Board and reading as follows:

"I have a summer home at No. 227 Buffalo Avenue, Egg Harbor City, New Jersey, to which is attached a 1/2 inch meter and 1/2 inch service pipe by the Egg Harbor City Water Company.

"I am advised by the Egg Harbor Water Company that a 1/2 inch meter and service pipe is \$10 per year, minimum rate, payable semi-annually in advance, and that the rate for water consumed is 35c. per 1,000 gallons.

"For the first half of the company's fiscal year from May 1, 1917, to November 1, 1917, I consumed 33,380 gallons for which the company charged me \$11.68 at 35c. per 1,000 gallons, but in the second half of the fiscal year from November 1st, 1917, to May 1st, 1918, I consumed 850 gallons for which the company charged me the minimum rate of \$5.00, although I consumed but 30c. worth of water.

Oscar H. Price vs. Egg Harbor City Water Co.

"In other words, during the fiscal year from May 1st, 1917, to May 1st, 1918, I consumed 34,230 gallons of water which at 35c. per 1,000 gallons amounts to \$11.98, but for which the company charged me \$16.68.

"I am also advised by the water company that their rules provide that each half of a fiscal year must stand for itself and that they therefore correctly charged me the minimum of \$5.00 for the second half of the fiscal year although but 30c. worth of water was actually consumed by me, notwithstanding their bills also state that the minimum rate for a 1/2 inch meter is \$10 per annum.

"Will you please advise me whether the company's ruling is in accordance with your practice."

The Board's files show that by letter dated January 24th, 1917, the company notified the Board that effective January 1st, 1917, it had revised its "schedule of meter rates combined with minimum charges." The following were submitted as the charges the company proposed should be effective:

For the first 50 M. gallons	35c. per M. gal.
For the next 50 M. gallons (over the first 50 M. gallons) ..	30c. per M. gal.
For the next 100 M. gallons (over the first 100 M. gallons),	25c. per M. gal.
Excess over the first 200 M. gallons	20c. per M. gal.

Minimum Meter Rates:

5/8-inch meter	\$12.00 per year.
1-inch meter	20.00 per year.
2-inch meter	40.00 per year.

Minimum Flat Rate:

3/4-inch service	\$10.00 per year.
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It appearing that the foregoing would increase the minimum rate the new schedule was made the subject of a hearing following which the Board decided and advised the company that the charge for the smallest size meter should not exceed ten dollars per year. The new schedule in other respects was approved. The company has not filed any schedule following this and Mr. Price

Oscar H. Price vs. Egg Harbor City Water Co.

and the company were advised through a report of the Board's inspector that it "appears that adjustments for excess consumption of water over and above the quantity included in the minimum charge should be made on the basis of the total yearly consumption." The Inspector's report contained a recommendation to the effect that "the Egg Harbor City Water Company make adjustments for excess consumption of water over and above the allowance included in the minimum charge on the basis of the total yearly consumption and not on the semi-annual consumption as heretofore."

Exception was taken to this recommendation and a date was set for hearing of which notice was given to the complainant and the company.

The company was represented at the hearing, the complainant did not appear. Testimony was given by the superintendent of the company to the effect that the Chief Inspector of the Board's Utility Division had in a letter dated October 15th, 1917, suggested that meters should be read quarterly and that each quarter's consumption should stand by itself. This letter was submitted in evidence. The company claimed that it had modified the plan proposed and provided that bills should be rendered "semi-annually instead of quarterly due to location, the peculiar location of our water meters, being in the alley underground and in severe weather it would not be agreeable to read the meter on account of the frost mostly under the soil." There was also introduced in evidence a copy of "The News" published at Egg Harbor City on November 8th, 1917, which contains an advertisement of the company's rates for metered service in which is the statement "Bills will be rendered semi-annually and each period of consumption to stand by itself." While it thus appears that the company gave notice by advertisement of its method of charging, it was at fault in not submitting this to the Board as an amendment to its rate schedule. The proposition to render bills semi-annually with "each period of consumption standing by itself" does not appear prima facie to be unreasonable and if duly submitted probably would have been accepted for filing. As this was not done the Board must hold the company to the charges named in its letter of January 24th, 1917, as modified by the

William R. Loder *vs.* Egg Harbor City Water Co.

Board's order of March 6th of that year. These seem to be capable of no construction other than that the minimum meter rates are chargeable by the year and that any excess charged for must be an excess accumulated during the year over and above the quantity named in the schedule to the Board as that allowed for the minimum rate.

If the company desires to charge in any other way it must submit to the Board for filing its plan for such charging.

Dated February 7th, 1919.

No. 675.

WILLIAM R. LODER

vs.

EGG HARBOR CITY WATER COMPANY.

Where water is supplied to a residence, and there is in a yard or building on the same premises a separate hydrant charged to the same party at the full hydrant rate, a separate charge for an automobile is improper and should not be made.

A. C. Goller, for the Company.

The complainant alleges that he is a resident of Egg Harbor City; that he uses water supplied by the Egg Harbor City Water Company to his house and to a hydrant in his yard; that he has an automobile, because of which the water company demands an extra payment of three dollars per annum.

The complainant contends that the hydrant in the yard is for outdoor purposes and that he has a right to use the water for any purpose without extra charge, also that he has no hose attachment to the hydrant.

William R. Loder *vs.* Egg Harbor City Water Co.

The company was sent a copy of the complaint, and the complainant and company were notified of the time and place of hearing. At the hearing the company was represented. The complainant did not appear.

The company bases its right to make the charge complained of on an ordinance of Egg Harbor City, passed October 17th, 1896, which fixed rates for the use of water for different purposes and contains a provision that "water rates not specified for any other purposes, to be fixed by the water company." It was testified by the superintendent of the company that a charge is made for use of water for an automobile, and for cleaning the same, "two dollars for less than twenty horse power and three dollars for one above."

It was further testified that a Mr. Hall is a neighbor of the complainant; that he takes his automobile to the Loder premises, attaches "a stripper to strip from the nozzle of the hydrant with a hose attachment and both clean the automobiles in the same yard."

The ordinance referred to above provides that in addition to the charge for a hydrant in a yard or kitchen an annual charge of \$3.00 shall be made for "a screw nozzle to the hydrant (unless a wash pave is charged to the premises.)" The superintendent testified that the complainant "claims he sawed the screw nozzle off and the company has no right to charge him for the use of the hose or the automobile."

The ordinance of Egg Harbor City is on file with the Board and the quotations therefrom are accurate.

The company has not filed with the Board any extra charge for an automobile, nor has it filed a copy of any form used in making applications for water service. It may be assumed that the application signed by the complainant does not provide for the use of water for an automobile.

General rules for water companies approved by the Board provide that "all use of water other than by the applicant, or for any purpose or upon any premises not stated or described in the application must be prevented by him," also that service under an application may be discontinued "for the use of water for any other property or purpose than that described in the application."

William R. Loder vs. Egg Harbor City Water Co.

The complainant was not present at the hearing and the statement that the hydrant on the complainant's property was used for washing the automobile of both complainant and his neighbor is uncontradicted. Whatever the rights of the complainant may be with respect to his property, they do not extend to that of his neighbor, and the use of the hydrant by or for his neighbor would be improper and, if persisted in would, under the rule quoted above, justify the company in discontinuing service to the hydrant.

If the complainant without the company's consent sawed off the screw nozzle this would not relieve him of payment of the extra charge of \$3.00 for a hydrant with a screw nozzle.

The company does not deny complainant's statement that in addition to the hydrant he is supplied with water by the company at his house. This statement is therefore accepted as true. The complainant does not state for what purpose the hydrant is used, other than for his automobile.

It is reasonable to assume that with water supplied within the house, the use of water through the hydrant must be less for ordinary household purposes than would be the case if the outside hydrant were the only source of supply. It appears from the rates prescribed by the ordinance that a customer of the company, with no water fixtures in his house, by the payment of \$8.00 for a hydrant, plus a charge of \$3.00 for the attachment of a screw nozzle, could obtain water for all household purposes and also for use through a hose attached to the hydrant. That the extra charge for a screw nozzle is not imposed when the customer is charged for a wash pave is apparently in contemplation of the use of the hydrant with nozzle attachment for the purpose of a wash pave.

The charge for the hydrant is, however, much in excess of the charge for the wash pave. This does not appear to be unreasonable. The use of the wash pave necessarily would be restricted while the water from the hydrant with the nozzle attachment would be used not only in place of the wash pave, but for other purposes as well.

In the case under consideration, with fixtures in the house it is doubtful if the use of the water from the hydrant would be so great as that in contemplation when the hydrant rate was fixed.

William R. Loder vs. Egg Harbor City Water Co.

It does not seem to be unreasonable as a general proposition where water is supplied on a flat-rate basis for an extra charge to be made for an automobile.

Where, as in this case, water is supplied to a residence, there is a hydrant in the yard, and the charge for the hydrant is greater than would be the charge for a wash pave, it seems reasonable for the person paying the hydrant rate to be privileged to use water from the hydrant for his automobile. Perhaps the best and fairest solution of the problem would be for a meter to be installed and for the water for all purposes of the complainant to be supplied on a measured basis. The record before the Board is not sufficiently complete to rule definitely upon this question.

The Board holds that where water is supplied to a residence, and there is in a yard or separate building on the same premises a separate hydrant charged to the same party at the full hydrant rate, a separate charge for an automobile is not reasonable and should not be made.

There is no evidence before the Board to show that the hydrant rate of \$8.00 plus \$3.00 extra for a screw nozzle (unless a wash pave is charged to the premises) is unreasonable. This rate should therefore apply in the case under consideration.

The company is **HEREBY DIRECTED** to file with the Board two copies of the form used in applying to it for service, two copies of the form used for billing to its customers, and two copies of any and all rates imposed by it and not included in the ordinance of Egg Harbor City.

Dated February 7th, 1919.

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Acceptance by a water company of orders for water to be supplied in construction work, which orders contain a provision that the price charged shall be subject to such reduction or increase in price as may be agreed upon between the applicant and the company, or to such reduction or increase as may be fixed by the Public Utility Commission, does not require the Commission to fix the rate. *J. C. Bentley vs. Plainfield-Union Water Company*p. 71

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of pure and wholesome water at all times during the period of said contract notwithstanding what demands may be made upon the company by other municipalities or parties. The Board is asked to compel compliance with the terms of this contract.

Held: The jurisdiction of the Board extends further than the contract and, in its consideration of any service, it must regard the service to all customers supplied by a utility, regardless of the existence of contracts.

There are many situations in which it is justifiable to suspend service in whole or part. The company was justified in the partial suspension or cutting down of service when it became apparent that its reservoir reserve could not be maintained.

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Independent of the contracts as to rates or service, or both, the Board had the power to determine that the rates were just and reasonable and exercised such power and the only rates now effectual are those filed under the Board's determination.

It was unnecessary to give special notice to everyone affected of proposed increases in rates.

No rates under classification, or otherwise, exist by reason of any contractual relation between utility and individual, but by virtue of being lawfully fixed.

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An emergency for which a carrier is entitled to relief by a temporary emergency rate exists, where, by reason of general conditions not affecting the utility alone, the operating revenues are insufficient to operate and maintain its property and to pay rentals and interest on such of its securities, a default in the payment of which would jeopardize the solvency of the company. *Application of the Public Service Railway Company for approval of increase in rates*.....p. 269

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There seems to be no reason why improvements and extensions should not be made from accumulated surplus which appears from the companies' reports to be ample for the purpose. In so far as such improvements and extensions constitute additions to plants which properly may be capitalized there would seem to be no difficulty in having them represented by security issues. To the extent that they represent deferred maintenance they should be made from accumulated funds without increasing capital charges. *Application of the Elizabethtown Gas Light Company, Cranford Gas Light Company, Metuchen Gas Light Company, Rahway Gas Light Company for increased rates*p. 256

Where the cost of supplying service by a gas company including 6% return on the investment, would be \$2,500 per year the extension would be reasonable and practicable upon a guaranty being given assuring a revenue of this amount annually for a period of five years. *G. S. Jones vs. Cumberland County Gas Company*.....p. 350

An extension of main by a water company will be ordered upon proof of a guarantee of the revenue found to be reasonably required to compensate the utility for the cost of making the extension and supplying service. *Bound Brook Oil-Less Bearing Company vs. Watchung Water Company*p. 370

Complaint is made of water supplied by the Hackensack Water Company in the Boroughs of Ridgefield, Palisades Park and Morsemere. *Held*: That an extension of main proposed by the utility is reasonable and proper and should afford relief.

The boroughs benefited by the extension should pay with respect to fire service fifty-two hundredths of a cent per inch foot of main, the total cost to be allocated to the municipalities benefited.

Domestic consumers with respect to service other than fire should pay for water service at the schedule of fixed service charges and the sliding scale of rates provided for the New Durham low and Weehawken high service districts when the superior service is installed. *Borough of Ridgefield—Consumers in "Morsemere" and Palisades Park et al. vs. Hackensack Water Company*.....p. 397

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GAS COMPANIES. *See* RATES AND SERVICE.

GAS COMPANIES—STANDARDS.

The heating quality of gas is more important than candlepower for the great majority of users. It is not reasonable to tax this majority to maintain a more expensive candlepower standard for the sake of those using inefficient flat flame burners, which per candlepower require the consumption of about three times as much gas as a modern incandescent mantle lamp. *Standard Gas Company in the matter of proposed readiness-to-serve charge*.....p. 156

GRADE CROSSINGS. *See* RAILROAD CROSSINGS.

HYDRANTS.

An allowance of \$6 is made as a fixed charge per annum for 4-inch hydrants installed as of September 30th, 1917. For 4-inch hydrants installed since September 30th, 1917, \$8 is allowed, this being due to the increased cost of labor and material. The charge is based on the average estimated costs of hydrants on normal pre-war conditions, with allowances for depreciation, taxes, maintenance and return on capital. The balance of the charge for furnishing fire service is apportioned among the municipalities on the basis of an inch-foot charge determined from the length and size of mains which are considered as serving these municipalities with fire service. *Application of the Commonwealth Water Company for increased rates*p. 662

INTEREST ON DEPOSITS. *See* DEPOSITS.

JURISDICTION. *See also* ORDINANCES AND CONTRACTS.

The Board has no power to grant restraining orders. *Robert Turner and the City of Burlington vs. Burlington Sewerage Company, Borough of Collingswood vs. Collingswood Sewerage Company*.....p. 344

LEASES. *See also* MERGERS.

Approval is given to a lease by a railroad and bridge company of its property and franchises, which lease provides for fixed rentals to be paid, such rentals appearing to be fair and reasonable; but the Board will not feel bound to permit the rentals in any future inquiry unless they are deemed to be just and reasonable. *Application of the Delaware River Railroad and Bridge Company for approval of lease of its railroad, bridge, property and franchises to the Pennsylvania Railroad Company*p. 94

Application is made for approval of a lease by the Delaware and Atlantic Telegraph and Telephone Company of certain of its property to the North Jersey Telephone Company, the two companies

operating in the same territory. *Held:* The appraised value of the properties leased its greater than their true value. The proposed rental to be paid would be excessive and would consequently reflect in the rates to be charged by the North Jersey Telephone Company

There is no objection to the general plan of the North Jersey Telephone Company to take over and operate a number of existing independent companies in this territory. Such a plan when carried out, will result in more economic and efficient telephone service, but it is important that in taking over the properties, either by purchase or lease, the values of the properties taken, and the terms upon which the same are taken, shall not be such as will hereafter reflect in the rates to an extent that they will increase to an unreasonable degree. Approval is withheld. *Application of the Delaware and Atlantic Telegraph and Telephone Company and the North Jersey Telephone Company for the approval of a lease*p. 591

Application is made by the New York Telephone Company, the Delaware and Atlantic Telegraph and Telephone Company and the Atlantic Coast Telephone Company for consolidation in one cause of proceedings involving mergers of the companies, and investigations of rates of two of the companies. Application is also made for an investigation of a proposed plan of the petitioners for the formation of a new company, a determination of the fair value, the combined assets and the amount of capitalization to be issued therefor; also of the probable results of operation with a view of determining just and reasonable rates for service to be charged. *Held:* Not only would the prayer of the petition require an extended and costly reinvestigation of a matter in which a determination has been recently arrived at, but if such reinvestigation was made the effectiveness of the conclusion reached therein might be the subject of controversy, because of the recent assuming of control by the Federal Government.

The petition as filed presents serious questions which the Board did not have in contemplation when at an informal conference it stated its readiness to act preliminarily and in a definite advisory way in advance of the actual entry into and presentation of a concluded agreement of consolidation.

The Board must decline to act as prayed by the petition. *Application of New York Telephone Company, Delaware and Atlantic Telegraph and Telephone Company and Atlantic Coast Telephone Company for merger, etc.*p. 736

MERGERS.

Approval is given to an agreement of merger and consolidation of the International Harvester Company of New Jersey and the International Harvester Corporation, both New Jersey corporations, it appearing that the merger will accomplish greater efficiency and economy in management and is for the general welfare of both companies. *Application of International Harvester Company of New Jersey and International Harvester Corporation, for the approval of a certain agreement of merger and consolidation* p. 432

METERS See SERVICE.

MINIMUM CHARGE. See RATES.

MUNICIPALITIES.

A borough becomes a public utility in respect to its acts in supplying electricity beyond its corporate limits and as such is subject to the jurisdiction of this Board to the same extent as privately-owned utilities. Approval is given to the plans of a borough supplying electricity beyond its corporate limits of an addition to its plant and for an issue of bonds to finance the same. *Application of Borough of Pompton Lakes for approval of plans, etc., for proposed addition to its light, heat and power plant, and the issue of \$56,000 bonds*p. 555

ORDINANCES.

By a decision of the Supreme Court, it is the Board's duty to approve the establishment of a just and reasonable rate when it appears that the existing rate is insufficient, regardless of limitations contained in municipal ordinances respecting rates of fare. *Application of the Northampton, Easton and Washington Traction Company for increase in rate of fare*.....p. 1

Approval is denied of a municipal ordinance granting a franchise to a water company, which ordinance might be construed to limit the power of the Board with respect to rates; which contains a provision granting a preference or advantage in violation of law, and gives the company an exclusive right to operate in the municipality. *Application of Hanover Water Company for approval of ordinance passed February 14th, 1918, by the Township of New Hanover*p. 32

A township ordinance granting a water company the right to use streets and highways for a water system was amended to exclude certain territory. Objection is made to approval on the ground that procedure did not comply with the "Limited Franchise Act" and that part of the territory included in the amended ordinance was not subject to the jurisdiction of the township. *Held: The amended ordinance excluding territory included in the original ordinance and reducing instead of increasing the burden, notice was not required, the original ordinance having been in compliance with the act. The amended ordinance was passed and accepted before the authority of the township ceased. Application of People's Water Company for approval of an amended ordinance of the Township of Raritan*p. 223

That the Board has power to increase rates for public utilities regardless of the existence of municipal ordinances limiting the same has been affirmatively declared by our courts. *Application of the Public Service Railway Company for approval of increase in rates*p. 269

A petition asking the Board to re-establish a schedule maintained by a street railway, in pursuance of the terms of an ordinance granting its franchise, prior to a change therein permitted by the Board, is not allowed in the absence of sufficient evidence to warrant rescinding the Board's order. *Petitions of the Township of Union preferring charges of inadequate service against Morris County Traction Company*p. 333

The Board has power to increase rates, notwithstanding the existence of municipal ordinances, accepted by a utility limiting the rate. It would be manifestly unfair to permit a utility to take all the benefits of regulation and none of the limitations. *Application of Atlantic Coast Electric Railway Co. for increase in rates of fare*p. 569

PROPERTY, SALES OF.

Approval is given to the sale of the property, rights and franchises of a utility supplying water; to the issuance of securities for the purchase of the same and to capitalize expenditures made or to be made. *Application of the Wrightstown Water, Electric Light and Power Company for approval of an agreement for the sale of property to the Wrightstown Utilities Corporation; Application of the Wrightstown Utilities Corporation for approval of the sale of certain equipment to the Hanover Water Company; Application of the Hanover Water Company for approval of the issue of ten thousand dollars of first mortgage six per cent. bonds and fifteen thousand dollars of capital stock of said company*....p. 289

Application is made by the Pleasantville Heat, Light and Power Company, owning property used by the Atlantic City Suburban Gas and Fuel Company for permission to sell said property to the latter company for \$36,648. The Board finds the fair and reasonable value of the property to be \$25,795. The application will be dismissed, but if requested approval will be given for the sale of the property for \$26,000, provided accrued rentals of \$6,250 due the purchasing by the selling company for other property, formerly leased, shall be paid or allowed as a credit on the purchase price at the time of passing title to the Atlantic City Company. *Application of the Pleasantville Heat, Light and Power Company to sell two certain pieces or lots of land, with buildings thereon erected, located in Pleasantville, Atlantic County, New Jersey, to the Atlantic City Suburban Gas and Fuel Company*...p. 308

Approval is given to the sale by a company, engaged in the real estate business and in improving and developing land owned by it, of franchises and property, used for electric lighting, to an electric light and power company, and permission is given the latter company to issue stock to pay for the property and to provide funds for extensions and improvements. *Application of Browns Mills Company for sale of property to Browns Mills Electric Light and Power Company; Browns Mills Electric Light and Power Company—Issue of stock and bonds*p. 357

RAILROADS—CROSSINGS.

The Board must find that a railroad grade crossing is dangerous to public safety and that travel on the highway is impeded thereby before it can order the crossing altered.

Having so found the fact that certain parties, who may be affected, have not agreed with the railroad company to co-operate with it in the performance of the work, upon mutually satisfactory terms, has no effect upon an order of the Board. *Application of the New Jersey Junction Railroad Company, owner, and the New York Central Railroad Company, lessee, for the alteration of the grade crossing of New Ferry Road, West New York, and the tracks of said companies*p. 18

In an application for an order requiring a railroad company to install gates at a grade crossing the Board holds that reasonable protection would be afforded by the installation of a disc signal, loud tone bell, caution signs and a speed limit of six miles per hour for trains while passing over the crossing. *Board of Freeholders of the County of Gloucester vs. Atlantic City Railroad Company*.....p. 28

The policy of the State is against grade crossings and in considering applications for approval of new ones the immediate future as well as present dangers must be provided against. Permission is refused to construct a new crossing which would be dangerous and for which no great necessity appears. *Borough of Beachwood—Crossing at grade of the Beachwood Boulevard at the intersection of Central Railroad of New Jersey and Pennsylvania Railroad*.....p. 84

The Board has no jurisdiction to lay out a highway nor to determine what acts constitute the dedication of a highway but exercises power under the statute in granting permission required by the act where there exists a prior legal right, the enforcement of which is subject to the control of the Board, as to whether in constructing the highway across the tracks of the company the interests of the public are protected and safeguarded, and whether it comports with the declared legislative policy respecting grade crossings. *Application of the Town of Belleville for permission to construct a highway across the tracks of the Erie Railroad at grade*:.....p. 625

The act requiring permission of the Board for the construction of a crossing at grade has in view the protection of the traveling public. The present policy is to decrease, rather than increase, grade crossings, and permission is usually withheld until there is a public demand for a grade crossing as a matter of necessity. *Application of Town of Irvington for permission to cross tracks of Lehigh Valley Railroad at Paine Avenue*.....p. 631

Plans upon which a railroad company was ordered to alter a crossing at grade are ordered modified it appearing that such modification will provide for a more desirable entrance into an industry adjoin-

ing the railroad and that the parties in interest have agreed in the matter. *In the matter of modification of the Board's order, filed following application of the New Jersey Junction Railroad Company, owner, and the New York Central Railroad Company, lessee, for the alteration of the grade crossing of New Ferry Road, West New York, and the tracks of said railroad.....p.* 728

A petition is submitted asking the Board to vacate a railroad crossing at grade and to order a new crossing at another point. As the petition does not refer to the grade crossing act, the petitioner is not the body who may lawfully bring a petition under the act, the required notice has not been given to the parties interested and no satisfactory plan of elimination or substitution is submitted, the Board is without power to act. *Application of Board of Chosen Freeholders of the County of Ocean for permission to extend Hamilton Avenue, in Seaside Heights, over the tracks of the Philadelphia and Long Branch Railroad, at grade.....p.* 808

RATE OF RETURN. *See also* RATES.

An extension involving an expenditure of a small sum on which a return of between 6 and 8 per cent. will be received is held to be reasonable. *J. D. Seals vs. New Jersey Power and Light Companyp.* 110

A gas company has meters ranging in size from three light to 150 light, and asks for a uniform yearly charge of \$3.00 or a monthly charge of 25 cents from each. This charge appears to be inequitable between small and large customers. A charge is fixed for each connected customer served through a three or five light meter of 25 cents a month or \$3.00 a year without gas. For customers served through larger sized meters, this charge to be increased by an amount equal to one cent per month or twelve cents per year for each increase of one light in the capacity of the meter above the five-light capacity. *Standard Gas Company in re proposed readiness to serve charge.....p.* 156

In determining the question of rates to be charged by a sewer company providing the resulting rates do not exceed the value of the service, reasonable revenue to it should include a fair return on the property devoted to public use. Six per cent. is allowed as a fair return to provide for interest, bond discount and other similar items when rates are fixed based on this return plus operating deductions. *Ocean City Sewer Company—In re new schedule of rates.....p.* 177

A gas company requiring \$11,904 annually to meet operating expenses and net six per cent. upon the assumed value of its property and working capital and falling short of this amount by \$2,468, is allowed an increase in rates. *Application of the Enterprise Gas Company for increased rates.....p.* 200

In considering the return to be allowed a gas company interest on bonds and loans must be provided for unless the company is to become insolvent. A rate is allowed sufficient to provide for payment of operating expenses, taxes and interest on debt. *Application of the New Jersey Gas and Electric Company for increase in rates*p. 361

An increase in fare is permitted for an interurban electric railway, the capitalization of which is less than the value of the physical property, where the estimated return from the rates as increased will be but 5.65 per cent. on the company's securities. *Application of the Public Service Railroad Company for an increase in rates*p. 366

In fixing a rate to be charged by a water company the fair rate of return upon the value of the property found to be used and useful in normal times and under normal operating conditions is considered by all parties to the proceeding to be 7 per cent. *Application of the Commonwealth Water Company for increased rates*p. 662

Application is made by a company supplying water for public use for approval of increased rates. Assuming that the expenses for 1919 will be substantially those of 1918, the proposed schedule will produce a net revenue which, related to the present value of the property, would provide approximately 6 per cent. per annum for an appropriation for depreciation and for return on capital. The application is approved. *Application of the Lumberton Light, Water and Sewerage Company for increased rates*p. 782

RATES—ELECTRIC COMPANIES.

An electric utility needing additional revenue to meet increased costs of operation should not attempt to obtain the same by increasing rates to metered customers only when it supplies service also upon flat rates.

A war surcharge of one cent per kilowatt hour is allowed to be added to light and power, other than allowed to be added to flat rates. *Application of the Warren Wood Working Company, Incorporated, for increase in rates for electric current*p. 166

An electric utility is allowed to put into effect an emergency surcharge to equalize the rates charged in South Amboy with those charged in other parts of its territory. *Application of the Monmouth Lighting Company to increase the rates in South Amboy to equal its standard schedule elsewhere*p. 220

A customer using motors of high horsepower for short intervals should pay for the readiness of the plant to serve whenever he demands service.

It is logical that a rate for electric power should be separated into two elements; one dependent on the demand which the customer

imposes by the capacity of the apparatus which may take current at the will of the customer, the other dependent on the actual kilowatt hours of current used.

A schedule of rates providing increases to meet increased costs due to abnormal conditions is permitted to become effective for a temporary period on condition that on or before the end of the period the company shall furnish an inventory and appraisal of its property based on fair unit costs prevailing for five years prior to the year 1917, such appraisal to show reproduction cost new, the amount of unearned depreciation and the present value of the property, also such information as to accounts and customers' equipment as will be helpful in approximating the maximum demand.

Application of the Washington Electric Company for increase in ratesp. 317

It appearing that increased revenue is necessary if the petitioner is to continue to render adequate service to the public, rates providing for such revenue are permitted.

A proposed minimum rate for year-round customers of \$6.00 per year and for other customers of \$1.00 per month and a proposed rule requiring a deposit of \$6.00 from each tenant supplied service are disapproved.

Application of the Toms River Electric Company in re increased ratesp. 323

To the physical value of the plant and equipment of an electric utility found to be \$36,600 the sum of \$2,500 is added for intangible values and \$2,500 for working capital. To meet a deficit after providing for operating expenses and taxes, an annual depreciation of \$1,645 and 6 per cent. on capital an increase of one-half a cent per hour is allowed in charges to metered commercial light and power customers.

Application of the Electric Light and Power Company of Hightstown in re increased ratesp. 374

An electric lighting company applying for approval of increased rates submits an appraisal of its property aggregating for fixed tangible capital \$387,834 value new. To this it adds 5 per cent., or \$19,392, for organization expenses and \$25,000 for working capital. A deduction of \$40,806 is made for depreciation leaving a present value of \$391,420.

An addition to present value to "write off" power station machinery to an amount of \$84,000 is denied; it appearing that from the years 1911 to 1917 inclusive the revenue was sufficient to afford a return of 7 per cent. on the appraised capital, provide for \$40,806 accrued depreciation or amortization and leave in excess thereof \$114,000.

A rate schedule is allowed which will provide a revenue sufficient to meet operating expenses, taxes and annual amortization and afford a return of 6 per cent. on present value.

Application of the Atlantic Coast Electric Light Company in re increased rates—Rehearingp. 382

An electric utility, not receiving sufficient revenue to pay its operating expenses and taxes, is allowed to increase its rates to users of power. *Application of Monmouth Lighting Company—Increase in power rates*p. 523

Contracts made with an electric utility for power are subject to the Board's paramount right to regulate rates by an increase or decrease thereof.

It is equitable that increased rates resulting from advances in the price of coal should not apply to all customers, as any increase in fuel costs will increase the cost of serving power customers to a much larger percentage than it will lighting customers. *Application of New Jersey Pulverizing Company et als., for rehearing application of Bridgeton Electric Company for increased power rates*p. 539

Electricity is supplied to all the tenants in a three-story building through one meter, with the exception of a moving picture theatre, for which a separate meter is provided.

The petitioners pay all bills for current supplied their tenants, and complain that because of the two meters and separate bills they are deprived of the discount which would apply to the aggregate amount used in any one month.

Held: The company having installed a special line, a special five kilowatt transformer and an individual meter to serve the customer, it does not appear reasonable that it should apply the lighting schedule cumulatively to the sum of the two meters. *Henry G. Siegfried and Charles B. Brady, Trustees of the Warren County Realty Co. vs. Washington Electric Company*p. 551

A company supplying gas and electricity is allowed to make emergency increases in its gas and electric rates to cover increased costs of operation. *Application of the Consolidated Gas Company of New Jersey for further rate increases*p. 733

RATES—GAS COMPANIES.

In an application by a gas company for approval of increased rates, the Board, in the absence of a valuation of the company's property, will not pass upon the reasonableness of the existing rate, but its determination of the measure of relief to be afforded will be based entirely upon the fact that the company asks for such relief during the period of national emergency only. *Application of the Washington Gas Company for permission to increase rates*...p. 24

A rate is allowed sufficient to enable the company to pay its expenses, taxes and interest on its debt. *Application of the Washington Gas Company for permission to increase rates*p. 24

Application is made by a gas company for approval of increased rates.

It appears that, instead of increasing appropriations for creating a reserve, the company increased dividends on capital stock representing, at most, intangible values; that in part the dividend was paid out of accumulated surplus and almost entirely to a single party.

The Board refuses to increase rates, purporting to afford emergency relief, beyond the point necessary to enable the company to continue to render safe, adequate and proper service. Beyond such point the company should bear the burden. *Application of the Consolidated Gas Company of New Jersey for approval of a new schedule of gas and electric rates*p. 75

Condition of increasing cost must be recognized, and if public utility services are to be continued on an adequate basis, it is necessary that they be paid for on such basis. A war surcharge of fifteen cents per thousand cubic feet for gas is permitted. *Application of Bridgeton Gas Light Company for approval of increase in rates*...p. 102

Application is made by a gas company for approval of increased rates on the ground that there has been a large increase in cost of distribution and sale of gas due to conditions resulting from the war. It appears that the company purchases all its gas at a low rate, which has not been increased. Expenses of distribution and sale do not appear to have increased to an extent to justify granting the application. The petition was dismissed. *Application of the Tuckerton Gas Company for proposed readiness-to-serve charge*p. 136

A gas company supplying gas to metered customers for municipal street lighting and to another gas company, proposes to obtain additional revenue by increasing rates to metered customers only. This is denied.

Increased charges are allowed due to increased costs of production. A monthly service charge is reasonable, because for each customer the company must incur certain expenses without regard to the amount of gas actually used. *Ocean County Gas Company in the matter of the proposed readiness-to-serve charge*p. 139

A gas company has meters ranging in size from three-light to 150-light, and asks for a uniform yearly charge of \$3.00, or a monthly charge of 25c. from each. This charge appears to be inequitable between small and large customers. A charge is fixed for each connected customer served through a three or five-light meter of 25c. a month or \$3.00 a year, without gas. For customers served through larger-sized meters, this charge to be increased by an amount equal to one cent per month, or twelve cents per year for each increase of one light in the capacity of the meter above the five-light capacity. *Standard Gas Company in the matter of proposed readiness-to-serve charge*p. 156

A gas company is allowed an emergency increase in rates to meet greatly increased costs of operation.

The cost of plant necessary to serve customers, three-fourths of whom use gas during two or three months only, necessitates a high rate. *Application of the Wildwood Gas Company for increased rates*p. 171

A gas company requiring \$11,904 annually to meet operating expenses and net 6 per cent. upon the assumed value of its property and working capital, and falling short of this amount by \$2,468, is allowed an increase in rates. *Application of the Enterprise Gas Company for increased rates*p. 200

In order to develop a fair schedule of rates for gas for domestic customers, the cost of service for such customers and for street lamps, as well as supplying other gas companies, must be ascertained. An allocation of capital, depreciation and operating expenses is made to all classes of customers. Where a proper allocation of increased revenue to be derived from domestic metered consumption would be \$10,395, a schedule of rates proposing to increase charges to these consumers more than \$20,000, will not be approved. *Coast Gas Company—In re increase in rates for gas*....p. 206

In considering an application by a gas company for approval of increased rates the sum of \$217,000 is taken as a fair figure with which to make comparisons between value of property and existing capitalization. The sum of \$10,000 is added to provide for needed repairs to mains and \$23,000 is allowed for intangibles, making \$250,000 as a basis for rate purposes.

Where the sum of \$16,500 is required above operating expenses and taxes to pay 6 per cent. on \$250,000 and provide \$1,500 for depreciation and the existing rates provide but \$10,050 for this purpose, an increase is allowed.

The allowance of an increase is predicated upon the fact that the company will promptly install meters and supply service to all those whose premises are connected to its mains. *Application of the Atlantic City Suburban Gas and Fuel Company for an increase in rates*p. 228

In the absence of proof as to the value of the property of a gas company applying for approval of increased rates, the Board will not make a final determination. An increased rate is allowed as a war surcharge on condition that by a date fixed an appraisal of the company's property shall be submitted. *Atlantic City Gas Company application for approval of increase in rates*p. 234

A gas company supplying but not manufacturing gas is allowed an increase in its rates, the Board having previously allowed the company from which the gas is purchased an increase in rates which affects the petitioner. *Tuckerton Gas Company—In the matter of the proposed readiness-to-serve charge—Rehearing*.....p. 237

Four gas companies, one of which owns all the stock of two and three-quarters of the stock of the remaining company, joining in a petition for increased rates ask that they be considered as one company.

It appears that dividends have been paid only upon the stock of the company which owns the stock of the others; that at existing rates all fixed charges of the four companies could be met and a dividend of fourteen per cent. paid on the stock of the owning company, or five and a half per cent. on the combined stock of the four companies.

There is nothing before the Board to show that the capitalization is below the value of the property to such an extent as to make this an unfair return.

Without an increased rate the petitioners will have no difficulty in meeting operating expenses and interest charges and providing a liberal return upon all outstanding capital. *Application of the Elizabethtown Gas Light Company, Cranford Gas Light Company, Metuchen Gas Light Company, Rahway Gas Light Company for increased rates*p. 256

An application for an emergency increase in rates to meet increased costs of labor and materials is denied where the financial affairs of the company do not warrant granting such increase.

Just and reasonable permanent rates must be predicated not on the capital and surplus of the utility but on the value of its property used and useful in serving the public requirements.

For this a complete inventory and appraisal is necessary and this has not been furnished. *Application of the Perth Amboy Gas Light Company for an increase in rates*p. 263

The petitioner, applying for approval of an increased rate for gas, operates a gas and electric plant. The total amount of funded debt and loans is \$143,450, and of capital stock \$70,000, and of these amounts \$82,000 of funded debt and loans and \$40,000 of stock are apportioned by the company to the gas department.

A consideration of the appraisal submitted shows that the stock apportioned to the gas department has no underlying value to support it.

A value of \$82,644 is taken on which a return of six per cent. is allowed. *Application of the Hammonton and Egg Harbor City Gas Company for an increase in rates*p. 297

Upon a petition by a gas company alleging that operating expenses are and have been for some time in excess of gross receipts and that "the increased price of coal and oil, producing a large and growing deficit, makes an increased rate imperative," the allegations being accompanied by specific statements of receipts and expenditures, a schedule of rates involving increases is permitted to become effective for a limited period with date fixed for submission of proofs and further action reserved. *Application of the Cape May Illuminating Company for increase in rates for gas*p. 352

An extra charge of ten cents per thousand cubic feet for gas if bills are not paid "on or before the 15th of the succeeding month" is held to be unreasonable. *Application of the New Jersey Gas and Electric Company for increase in rates*.....p. 361

To increase the charge for gas exclusively to retail metered consumers to meet increased costs of operation is not a proper method of charging.

Customers using large quantities of gas may be allowed an average rate equivalent to about 70 per cent. of the retail rate.

Where the average cost of supplying gas including six per cent. for use of capital is found to be \$1.80 per thousand cubic feet for retail customers 70 per cent. of this or \$1.26 per thousand cubic feet is fixed as the minimum average price to be charged for wholesale quantities.

Gas actually consumed in street lamps should be charged for at the rate of \$1.26 per thousand for the gas only, to which should be added the cost of lighting and extinguishing the lamps and maintaining the same in good operating condition.

In determining an equitable rate to be charged for gas, metered gas which has been furnished without charge under franchise provisions is assumed to take the retail meter rate.

Where the amount to be paid to the company for domestic metered service is found to be at the rate of \$1.80 per thousand cubic feet, a monthly service charge is fixed of 25 cents for each metered customer served through a three or five light meter and a charge of \$1.65 per thousand cubic feet for gas actually used. The service charge is increased at the rate of one cent for each one light increase in capacity above a five light meter. *Application of the New Jersey Gas Company for increase in rates*.....p. 408

In the present abnormal times an emergency exists and in order to render the public continuous, safe, adequate and proper service, the Boonton Gas Light and Improvement Company will be required to raise additional revenue amounting to approximately \$3,675 on sales of 12,250,000 cubic feet of gas.

A war surcharge of 30 cents per thousand cubic feet to be added to the existing rate of \$1.35 for domestic customers and a war surcharge of 12 cents for minimum monthly bills to be added to the existing minimum bill of 68 cents will produce this additional revenue. *Application of the Boonton Gas Light and Improvement Company in re increased rates*.....p. 499

The Board after hearing and investigation fixed for the petitioner to charge from June 1st, 1918, a price for gas of \$1.35 per thousand cubic feet, less a discount of 10 cents per thousand cubic feet for prompt payment, plus a monthly service charge of 25 cents per meter.

Application is now made for permission to charge \$1.80 per thousand cubic feet less a discount of five cents per thousand cubic feet for prompt payment and to abolish the service charge.

Held: Each customer connected with the gas mains of the petitioner entails a fixed cost annually for the interest, taxes, depreciation and maintenance of the individual service pipe and meter devoted to such customer.

If, for reasons of his own, the customer does not choose to use the service pipe and meter for the entire twelve months this does not relieve the company from the necessity of paying the fixed charges thereon. If they are not paid by the customer to whose sole use they are devoted, some other customer or customers must be charged with this cost or the company must fail to receive reimbursement for such expenditures.

Increased rates to meet increased costs of operation will be permitted to go into effect as emergency rates with the understanding that they are predicated on continuously safe, adequate and proper service. *Application of the Ocean County Gas Company for further increased rates*p. 597

Increased rates made effective for a temporary period are continued following submission of testimony showing the necessity thereof.

A rule providing for discontinuance of service for any indebtedness whatsoever should be modified so that it shall be distinctly understood that "indebtedness" applies only to indebtedness for gas consumption. *Application of the Cape May Illuminating Company for increase in rates for gas*.....p. 628

Application is made by a gas company to increase its rate to domestic consumers 55 cents per thousand cubic feet and to industrial consumers 20 cents per thousand cubic feet. The form of this rate does not meet with approval. There is no reason for discrimination between industrial and domestic consumers. If by reason of increased consumption either customer will reduce the average cost to the company it is a proper and reasonable basis for decreasing rates. In a block rate, applicable to all classes of metered customers, the total bill will be determined by the amount of gas consumed in each block multiplied by the rate for such block. In this way the benefit of the wholesale consumption will be taken care of automatically and there will be no discrimination between classes of customers. This method of charging is approved. *Application of the New Jersey Northern Gas Company for increased rates, further hearing*p. 650

A company supplying gas and electricity is allowed to make emergency increases in its gas and electric rates to cover increased costs of operation. *Application of the Consolidated Gas Company of New Jersey for further rate increases*.....p. 733

In ruling upon an application for approval of an emergency increase in charges for gas, a valuation submitted by the company, which the Board's engineer has had no opportunity to check, which contains an allowance for going value that seems to be too high, and in which no deduction has been made for depreciation is not considered.

The company is allowed an emergency increase to admit of its continuing as a solvent concern, it appearing that revenues under existing rates will not be sufficient to pay operating expenses and meet fixed charges. *Application of Atlantic City Gas Company for increased rates*p. 746

Application is made by a gas company for approval of increased rates, the company claiming that the rates "now in effect, plus the monthly service charge are far below what is needed to meet the operating expenses, and fixed charges." The petition asks that a rate eliminating the fixed service charge shall be fixed claiming that its customers objected to it, that summer customers would pay only two or three months service charges and that the revenue for the remaining portion of the year with respect to seasonal customers would be lost, although the all year customers would have to pay the service charge for twelve months.

The Board holds that a service charge should be made but that in this case it should be imposed on an annual basis to be paid monthly by all responsible permanent residents and annually by seasonal customers.

In a prior proceeding the Board assumed \$680,000 as the capital base for rates as of June 30th, 1917. Taking one-half the additions for 1917, as indicated by the company's annual report, and the additions for seven months of 1918, the sum of \$8,200 is arrived at, which added to \$680,000 gives \$688,200 for a capital base in the present determination. Allowing six per cent. return on the capital base, adding this to the operating expenses and applying the service charge and rate schedule proposed by the petitioner gives a total \$15,432 in excess of the fair revenue required.

The rates proposed are disapproved and a schedule of rates providing for such increased revenue as is needed is fixed.

The public should pay a fair price for proper service and when it pays this fair price it should get such service. The emergency rates allowed are predicated on the furnishing of continuously safe, adequate and proper service. If, for reasons within its control, the company should fail to render such reasonable service the Board will cancel the emergency rates for the reason that adequate service should be a corollary to adequate rates. *Application of the Standard Gas Company for further increase in rates*.....p. 757

In considering an application by a gas company for approval of increased rates the Board holds:

The Board should not determine different rates in various municipalities until such time as full and competent proof is submitted that uniform rates throughout the territory served would work undue and unjust discrimination as between the municipalities.

The industrial schedule submitted provides inequitable step rates instead of block rates. A customer using 99,000 cubic feet for so-called industrial purposes is charged \$99, whereas a customer using 101,000 cubic feet is charged \$90.90 and can use 11,000 cubic feet

more for \$99 than the customer using the smaller quantity at the \$1.00 rate.

The so-called "industrial rates" should be reformed so as to cover blocks of consumption, the first block to have the highest or base rate, and subsequent blocks to have a progressively decreasing rate for increased blocks of consumption. Each customer, whether domestic or industrial, using gas in substantially the same manner, should pay the same price for gas used in each block.

A consumption of 160,000,000 cubic feet is taken in deriving the base rate. As a basis for return on capital there is taken the net amount of interest the company is obligated to pay on its outstanding funded debt and on the difference between its outstanding bills payable and bills receivable.

The fixed service charge is a reasonable means of meeting the higher costs alleged to exist in serving the smaller and more distant municipalities. Each customer, wherever located has devoted to his individual use a service pipe and a meter which benefits no other customer than himself. This service pipe and meter costs the company a fixed annual amount and should be paid by the individual customer and should not be imposed on other customers as would be the case where the annual carrying cost of the service and meter is merged into an average rate. A service charge and schedule of block rates are fixed for the petitioner to charge. *Application of the Cumberland County Gas Company for increase in rates*.....p. 791

A gas company is allowed to increase rates to meet increased operating costs but a schedule of discounts varying from 10 to 25 cents per thousand cubic feet is disapproved.

There does not seem to be any reason that a large wholesale customer should forfeit 20 per cent. for failure to pay that part of his bill in excess of a monthly consumption of 60,000 cubic feet within ten days whereas the retail customer or user in small quantities, who usually entails a larger percentage of expense in collection should suffer a penalty for nonpayment within ten days of only six or seven per cent. *Application of Lakewood Gas Company—In re increased rates*p. 811

RATES—RAILROAD COMPANIES.

An agreement between a shipper and a railroad company, whereby as a condition precedent to the reconstruction of a plant destroyed by fire, a freight rate was fixed, is without binding effect as a tariff rate supersedes a contract rate. *John H. Bahrenburg vs. Pennsylvania Railroad Company; Elizabeth Ice Company vs. Pennsylvania Railroad Company; Almeth White vs. Pennsylvania Railroad Company*p. 20

To increase rates on certain commodities not considered as bearing a proper relationship to other commodities with respect to proportionate revenue is logical and a proper method to produce additional revenue, but such plan cannot be interpreted to permit excessive in-

crease. *John H. Bahrenburg vs. Pennsylvania Railroad Company; Elizabeth Ice Company vs. Pennsylvania Railroad Company; Almeth White vs. Pennsylvania Railroad Company*.....p. 20

To arrive at a fair and reasonable rate basis for hauling ice, consideration is given to all the elements of transportatoin, competi- tion, conditions of ice production at the plant and the necessity of enlarging the earning capacity of the railroad. *John H. Bahren- burg vs. Pennsylvania Railroad Company; Elizabeth Ice Company vs. Pennsylvania Railroad Company; Almeth White vs. Pennsyli- vania Railroad Company*.....p. 20

Complaint is made of an increase of 15 cents per ton on intra-state rates for coke.

Held: Recognizing the importance of efficiently maintaining railroads under existing conditions and the necessity for increased revenue, the standard of increase having been established by the Federal Di- rector General of Railroads on a horizontal basis higher in some re- spects than that under consideration, the Board would not be justi- fied in taking a position inconsistent with that of the Interstate Commerce Commission and the Federal Director of Railroads.

Evidence is lacking supporting the claim of unreasonableness of the rates involved or discrimination and in the absence of such evidence the Board is not warranted in disturbing the increase of 15 cents per ton applying on shipments between Camden and Newark. *Bal- bach Smelting and Refining Company, Parkinson Coke and Coal Company vs. Atlantic City Railroad Company, and the Central Rail- road Company of New Jersey*.....p. 560

RATES—SEWERAGE COMPANIES.

In considering an application by a sewerage company for approval of increased rates, the Board allows as a present value of physical property the sum of \$81,250.

To this is added \$15,000 for organization, franchise and other in- tangibles. Three per cent. is added to the sum thus obtained for working capital. One and two-tenths per cent. is allowed for ac- cruing annual depreciation.

A rate schedule is fixed which will provide a return of 6 per cent. on the value allowed after meeting operating expenses and taxes and providing for amortization. *Application of the Burlington Sewerage Company for approval of a new schedule of rates—Re- hearing*p. 40

In considering an application of a sewerage company for approval of increased charges, the sum of \$150,000 is fixed as the value of the physical property and for organization and legal expenses. From this \$16,400 is deducted as accrued depreciation. Five per cent. of \$150,000 is allowed for working capital and one and two- tenths per cent. for annual amortization for capital.

A rate schedule is fixed which will provide a return of 6 per cent. on the value allowed after meeting operating expenses and taxes

and providing for amortization. *Application of the Collingswood Sewerage Company for the approval of a new schedule of rates—Rehearing*p. 55

In determining the question of rates to be charged by a sewer company, providing the resulting rates do not exceed the value of the service, reasonable revenue to it should include a fair return on the property devoted to public use; reasonable operating expenses under efficient management; a reasonable provision for accruing depreciation over and above current maintenance, repairs, taxes and uncollectible bills.

In determining the tangible fixed capital, a deduction is made of the proceeds of a bond issue on which interest is not to be paid for three years.

Where bills are payable yearly in advance and the company has in hand from prepaid rates the amount of working capital required for the conduct of its business, no allowance should be made for working capital in determining the basis for rates.

Six per cent. is allowed as a fair return to provide for interest, bond discount and other similar items and rates are fixed based on this return, plus operating deductions.

Under statutory direction, the Board has been authorized to deal with any existing rates and if, after hearing and investigation, it makes the necessary finding to set them aside, if unjust, insufficient or discriminatory. No exception is made as to franchise rates. *Ocean City Sewer Company in re new schedule of rates*...p. 177

RATES—STREET RAILWAYS.

A street railway with revenue insufficient to meet operating expenses and fixed charges is permitted to increase its fare from five to six cents. *Application of the Northampton, Easton and Washington Traction Company for increase in rate of fare*.....p. 1

An inter-urban street railway earning less than 3 per cent. upon the value of its property is allowed to withdraw commutation rates and to increase its fare in each fare zone from five to six cents. *Application of New Jersey and Pennsylvania Traction Company for the withdrawal from sale of commutation tickets and for increase of fare between Trenton and Princeton*p. 114

Petition for a reduction in the rate of fare of a street railway from five cents to three cents is denied; the petitioner failing to sustain the allegation that a five-cent fare is unjust and unreasonable. *Mayor and Council of the City of Hoboken vs. Public Service Railway Company*p. 120

A street railway, the gross receipts of which are insufficient to pay operating expenses, interest charges and taxes, is allowed to increase rates. *Application of Atlantic and Suburban Railway Company for approval of increased rates*p. 267

The petitioner is allowed to charge one cent on each initial transfer issued, it being estimated that this will result in additional revenue sufficient to pay increased wages and that the total revenue will be sufficient to meet operating expenses, interest on funded debt, rentals and taxes. *Application of the Public Service Railway Company for approval of increase in rates*p. 269

A street railway requiring annually a gross revenue of \$53,590 to pay operating expenses and taxes and 6 per cent. on the reproduction cost new of its property, plus working capital, is allowed an emergency increase in rates, it appearing that the revenue for the year 1917 was \$47,211, and that the net revenue would be decreased in 1918 by higher costs of operation. *Application of the Five Mile Beach Electric Railway Company for leave to file an increased rate of fare*p. 327

An increase in fare is permitted for an inter-urban electric railway, the capitalization of which is less than the value of the physical property, where the estimated return from the rates as increased will be but 5.65 per cent. on the company's securities. *Application of Public Service Railroad Company for an increase in rates*p. 366

An electric railway failing to obtain with a five-cent fare sufficient revenue to pay operating expenses is allowed to charge six cents. In estimating the increase which will result from the additional charge, it is assumed that there will be some decrease in the number of passengers, because of an increased fare, and an allowance is made for this. *Application of the Jersey Central Traction Company for increase in rates*p. 389

Application is made by a street railway for approval of increased fare. Testimony shows a large and growing deficit after meeting operating expenses and fixed charges.

Held: In the present emergency the Board will not, under these trying circumstances, determine from the record either the total amount of property on which the petitioner is entitled to fair return, nor the rate of return applicable to said property, nor whether the fixed charges are properly related to such fair return under normal conditions, but will base its conclusions in this matter upon the exigencies of the times and afford such relief as is necessary to permit the company to continue service. When the present emergency shall have passed, the Board will resume consideration of the case. *Application of the Trenton and Mercer County Traction Corporation for increased rates of fare*p. 453

The Board welcomes the presentation of facts which will aid it in reaching a fair and equitable determination of any controversy in any proceeding before it, but the mere approval or protest in a proceeding fixing a rate charged, or to be charged, by a utility does not aid the Board in arriving at its conclusion.

In order to render safe, adequate and proper service, the Public Service Railway Company will be required to raise additional revenue to the amount of \$860,000 by reason of the award of the National War Labor Board on August 1st, 1918, in addition to a like sum provided for in the order of this Board July 10th, 1918. The said award was made by William Howard Taft, former president of the United States, and Frank P. Walsh, as arbitrators, and is not a subject of controversy before us.

The Board finds that an emergency exists and determines the existing rates to be insufficient. *Application of the Public Service Railway Company for a further increase in rates of fare*.....p. 477

An electric railway, being operated by a receiver, the revenues of which are insufficient to pay operating expenses, taxes and interest on bonded indebtedness, is permitted to increase its rates from five to six cents in each of its fare zones. *Application of Monmouth County Electric Co. for increased rates of fare*.....p. 505

An electric railway being operated by a receiver is allowed to increase its rates to provide for operating expenses, depreciation and taxes and to pay 6 per cent. on the present value of its property. *Application of the Atlantic City and Shore Railroad Company for approval of increased rates*p. 509

Application is made by an electric railway to increase its rates. *Held:* In the present abnormal times an emergency exists, and that in order to render the public continuous, safe, adequate and proper service, the petitioner will be required to raise the amount estimated to be produced by the proposed tariff. *Application of Morris County Traction Company for increased rates of fare*.....p. 523

Application is made by an electric railway to increase its fare from five cents to seven cents in each fare zone.

The Board, in a prior proceeding, ordered the company to give transfers to passengers boarding its cars at certain points. Appeal from this order has been taken to the United States Supreme Court, and the order has never been put into effect.

The Board has power to increase rates, notwithstanding the existence of municipal ordinances, accepted by a utility limiting the rate.

It would be manifestly unfair to permit a utility to take all the benefits of regulation and none of the limitations.

From the proofs submitted the Board would not be justified in permitting the imposition of a seven-cent fare and concludes that a six-cent fare is just and reasonable.

The collection of a six-cent fare will be permitted, provided the company will give transfers in accordance with the order of the Board heretofore made. *Application of Atlantic Coast Electric Railway Co. for increase in rates of fare*p. 529

An electric railway is permitted to increase its rates from six cents to seven cents in each of its fare zones, it appearing that the company must have increased revenue if it is to maintain proper and adequate service. *In the matter of the proposed increase of passenger fares and freight rates by the New Jersey and Pennsylvania Traction Company*p. 606

An electric railway is allowed to increase its fare from six cents to seven cents in each of its fare zones, the Board being satisfied that additional revenue is needed to enable the company to furnish safe, adequate and proper service. A proposed increase from six cents to eight cents, with a charge of two cents each for transfers is disapproved. *In re increase of rates of Jersey Central Traction Company*p. 614

RATES—TELEPHONE COMPANIES.

A telephone company, ordered to file schedules reducing rates, is permitted to make effective schedules submitted by it which examination shows will effect material reductions, equalize charges and be otherwise advantageous to the public, though apparently not resulting in a reduction to the full amount ordered.

In permitting the schedules to become effective, the condition is imposed that monthly statements be filed showing revenues, expenses and deductions, with comparable reports for the same months of the preceding year.

If it reasonably appears that the new schedules do not in effect meet the order of the Board a further reduction will be required.

In the matter of investigation of the rates of the New York Telephone Companyp. 151

The Board is of the opinion that the Postmaster General, in operating telephone companies in New Jersey, is subject to the laws of the State respecting such companies unless Congress possesses the power to relieve him of compliance therewith, and has exercised such power.

It is not pertinent, and therefore unnecessary, to discuss whether Congress, in providing for Federal operation of telephone companies, had power to declare State laws affecting these companies to be null and void, as Congress expressly declared that its act should not be construed to impair or repeal such laws in relation to lawful police regulations.

Unless and until it is declared by a court of competent jurisdiction that the suspension of increased charges for telephone service is not a lawful police regulation, the Board must assume the Postmaster General, as well as telephone companies operated by him, are subject to the provisions of the New Jersey statute with respect to charges for such service. *In the matter of suspension of increased charges for telephone service within the State of New Jersey*p. 773

RATES—WATER COMPANIES.

A water company having submitted a new schedule of rates, testimony having been taken upon the question whether the same shall be approved and the record being partially completed, makes application to have the proceeding discontinued and for the allowance of temporary or emergency relief.

Held: Inasmuch as the proceeding has progressed so far toward completion, and it appears to be highly desirable to allocate costs to the several municipalities served and fix rates to be charged therein for the several classes of service furnished, the proceeding should not now be discontinued or suspended, but should be pressed by all parties as rapidly as possible. *Application of the Commonwealth Water Company for approval of schedule of rates, etc.*p. 7

If the reasonableness of rates of a public utility is challenged it should be upon proper application and ruling made after due hearing and the submission of the necessary proofs.

The Board is without power to order reparation, even if it determines that existing rates are unjust and unreasonable.

Acceptance by a water company of orders for water to be supplied in construction work, which orders contain a provision that the price charged shall be subject to such reductions or increase in price as may be agreed upon between the applicant and the company, or to such reduction or increase as may be fixed by the Public Utility Commission, does not require the Commission to fix the rate.

The company is bound to render service according to its existing rates to all parties for like service and existing rates must be held to be the proper charges for service already rendered. *J. C. Bentley vs. Plainfield-Union Water Company*p. 71

Of the total revenue of the petitioner but five-eighths is derived from service to private consumers, the balance from fire hydrant rentals. It does not appear to be equitable to obtain additional revenue needed, by imposing increased rates upon domestic consumers only. A young company in the development stage should realize that it must face the cost of building up its business until its territory is more nearly saturated. *Application of the Monroe Water Company for increased minimum bill*p. 204

It is fundamental in municipal management that all taxpayers of a municipality, where the same is constituted as a single fire district, shall contribute their shares of expenditures for fire service, pro rata. *Application of the Borough of Bogota to review rates of the Hackensack Water Company*p. 204

A rate fixed by the Board after an exhaustive investigation will not be changed in the absence of evidence that the same is unreasonable. The ordinary domestic consumer of water requires a sufficient quantity only for his own needs, which can be readily ascertained. For private fire service a much larger quantity has to be maintained.

The domestic consumer should not be burdened with the cost of maintaining this capacity. *Board of Education of Hasbrouck Heights vs. Hackensack Water Company*.....p. 420

In fixing rates to be charged by a water company the reproduction cost new of tangible fixed capital is taken at \$66,342. The full amount of accrued depreciation is allowed and in addition thereto \$5,000 to cover organization development cost and other intangibles. Where the rules of the company provide for payments in advance an allowance for working capital of three per cent. of the appraised value of the physical property is held to be sufficient.

Of the total value for tangible and intangible property of \$73,342 taken as a basis for rates 26 per cent. is allocated to fire service.

The sum of \$1,000 is taken as being sufficient to provide for annual accruing depreciation.

Service charges varying for different sizes of meters are fixed for metered customers. For water actually used a charge of 25 cents per 1,000 gallons is to be made.

A charge of nine-tenths of a cent per inch diameter per foot of main for fire service is fixed applicable to all distribution mains as of April 1st, 1918, and to six-inch mains and larger laid in the future and to only such short lengths of four-inch laterals as will provide 30 pounds pressure at the hose connection.

A charge of \$7.50 per annum is fixed for each hydrant in service on April 1st, 1918, and \$7.50 for each hydrant which may be added hereafter. *Application of the Westville and Newbold Water Company—In re increased rates*.....p. 439

In applying for approval of an additional charge, the petitioner submits in lieu of an inventory, the value of its property as found by the Board in a prior proceeding, involving a merger of certain utilities.

From the value new of fixed capital taken at \$351,469 an accrued depreciation reserve of \$43,551 is deducted and an addition of \$10,000 working capital is made.

The revenue at present rates after meeting operating expenses and taxes, allowing for depreciation and a return of six per cent. on capital used and useful is \$5,830 less than the required sum.

If each of the company's 2,473 customers should pay a monthly fixed service charge of 20 cents or \$2.40 per year this would provide the relief required. This charge is allowed. *Application of the New Jersey Water Service Company—In re increased rates*.....p. 494

Application is made by a water company serving a number of municipalities for approval of increased rates. In considering whether the increase is just and reasonable it becomes necessary to determine the following:

What property is used and useful.

Value of such property as is found to be used and useful.

The amount necessary to appropriate annually for depreciation of such property.

Necessary operating expenses.

Taxes.

Return upon the value of the property found to be used and useful.

Gross annual revenue required.

Allocation of annual revenue to different classes of service and to various localities.

LAND—POLICY IN ACQUIRING. USE FOR FARMING.

In considering the amount of land area required and the extent of development needed or possible at each reservation the following must be regarded: nature and location of the water bearing strata; storage capacity of water bearing formations; area tributary to wells; velocity of underflow and rate of replenishment; nature and extent of development and the financial and economic relations both as to present and future development. The communities served by the company are growing; the municipalities concede that the full capacity of the reservations will be utilized in about ten years. No charge is made that the lands were acquired at an exorbitant cost, and nowhere does it appear that the cost of the lands purchased is in excess of the value of the water rights acquired.

As a matter of state policy water utilities should be encouraged in acquiring lands sufficient to insure a safe and adequate supply of water for a reasonable period in the future; particularly where the supply is located in the midst of and used by growing communities. The company uses part of the land acquired by it for farming. There does not seem to be any good reason why there should be allowed any investment for farming purposes, nor should there be calculated in the operating accounts expenses for maintenance of the farm. Only such amounts should be charged against farm accounts as will represent the additional cost for the use of the same by farm operations. No item of property or expense should be included in the water accounts which would not be incurred if the company did not conduct farming operations.

Appraisals made for the purpose of capitalization should be more strictly related to actual costs than reproduction costs. In the determination of a proper rate base the fair value must be determined by the consideration of reproduction as well as original costs. An allowance of 10 per cent. on the value of all structures for accrued depreciation is made. An allowance is made of 11 per cent. for annual depreciation to be computed on the depreciable value and land.

Development cost is one element of intangible value.

The company claims for organization expenses, franchise and other intangibles approximately \$244,000. Substantial justice will be done if \$104,000 is allowed.

In determining a fair rate base, it is necessary to make an allowance for a fair amount of working capital regardless of the source from which it is obtained. A total of \$40,000 should be allowed in this case. The consumers' deposits which the company may have on hand from time to time are not considered as it is required to pay

interest on them and they cannot be considered as an offset to the capital the company must provide.

The fair rate of return upon the value of the property found to be used and useful in normal times and under normal operating conditions is considered by all parties to the proceeding to be 7 per cent. This is allowed upon a base of \$1,738,500.

Having ascertained the value of the property as an entirety it becomes necessary to ascertain what part is devoted to each class of service. To determine the proper charge for the various classes of service it is necessary to determine the total costs pertaining to different parts of the system used, such as reservoirs, transmission and distribution mains, services, meters, etc.

An allowance of \$6.00 is made as a fixed charge per annum for four-inch hydrants installed as of September 30th, 1917. For four-inch hydrants installed since September 30th, 1917, \$8.00 is allowed, this being due to the increased cost of labor and material. The charge is based on the average estimated costs of hydrants on normal pre-war conditions with allowances for depreciation, taxes, maintenance and return on capital. The balance of the charge for furnishing fire service is apportioned among the municipalities on the basis of an inch-foot charge determined from the length and size of mains which are considered as serving these municipalities with fire service. The fixed service charge includes no water. Water must be paid for at proportional rates, the fixed service charge including two elements only of the total costs of service, viz.: a proportion of the demand, capacity or readiness to serve costs, and the service or customer costs.

The total amount to be charged to this class of service is the difference between the total revenue required and the amount allocated to other classes of service. Consumers are divided into domestic, intermediate manufacturing and special and rates are fixed for each class.

The permanent rates determined are based on averages both with respect to the operating expenses and return on capital. The operating expenses have been based on the average costs as they existed in 1915 and 1916 and the return on capital has been computed at the rate of 7 per cent. on the depreciated value of the property. Changing conditions from year to year may result in a rate of return higher than the average in some years and lower in other years. The Board cannot be expected to adjust rates to meet these changing conditions every year. During the present abnormal times emergencies may arise which may make it necessary to adjust rates at more frequent intervals. A surcharge should not be imposed upon the normal rate unless the return on capital should fall below a minimum of 6 per cent. *Application of the Commonwealth Water Company for increased rates*.....p. 662

Application is made by a company supplying water for public use for approval of increased rates. Assuming that the expenses for

1919 will be substantially those of 1918, the proposed schedule will produce a net revenue, which related to the present value of the property, would provide approximately 6 per cent. per annum for an appropriation for depreciation and for return on capital. The application is approved. *Application of the Lumberton Light, Water and Sewerage Company for increased rates*.....p. 782

A water company having submitted a schedule calling for a minimum rate of \$12 per year collects the minimum semi-annually, failing to give the customer the benefit of the total quantity consumed during the year. *Held*: The proposition to render bills semi-annually with "each period of consumption standing by itself" does not appear prima facie to be unreasonable; but the company's filed schedule seems to be capable of no construction other than that the minimum meter rates are chargeable by the year, and that any excess charged for must be an excess accumulated during the year, over and above the quantity named in the schedule. If the company desires to charge in any other way it must submit to the Board for filing its plan for such charging. *Oscar H. Price vs. Egg Harbor City Water Company*.....p. 816

Where water is supplied to a residence, and there is in a yard or building on the same premises a separate hydrant charged to the same party at the full hydrant rate, a separate charge for an automobile is improper and should not be made. *William R. Loder vs. Egg Harbor City Water Company*.....p. 819

RATES, WHEN EFFECTIVE.

When tariffs carrying increases were not suspended, and the Board later found the same to be in part just and reasonable, it was not necessary for twenty days to pass following the Board's finding before the rates judged just and reasonable could become effective.

Where increased rates were approved on February 27th and it was understood at hearings held prior to this date that the rates were proposed to be effective to cover meter readings made in the latter part of February and billed on or about March 1st, and no objection was made, a rehearing is denied on complaint that the bills were sent out at the approved rate for consumption prior to February 27th. *Schedule of rates of Public Service Electric Company and Public Service Gas Company*p. 97

A schedule of rates providing for increases filed with the Board and not suspended, which schedule was subsequently determined to be just and reasonable, became effective from the date of filing. *Robert Turner and the City of Burlington vs. Burlington Sewerage Company; Borough of Collingswood vs. Collingswood Sewerage Company*p. 344

REPARATION.

The Board is without power to order reparation, even if it determines that existing rates are unjust and unreasonable. *J. C. Bentley vs. Plainfield-Union Water Company*p. 71

SECURITIES.

Approval of a stock dividend is withheld where the petitioner has not furnished an enumeration of its property and appraisement thereof in writing. *Application of the Middlesex Water Company for approval of an issue of one hundred and twenty-five thousand dollars par value common stock*p. 69

Permission is given to the New York, Susquehanna and Western Railroad Company to transfer on its books preferred and common stock to the Erie Railroad Company, held by the latter.

The Board refuses to give a blanket approval and consent to the transfer of stock of the petitioner to the Erie Railroad Company, not now held by it. *Application of the New York, Susquehanna and Western Railroad Company et al., for consent to transfer on the books of that company certain shares of its stock to Erie Railroad Company*p. 251

In approving the issuance of bonds at not less than ninety, it is provided that the utility shall make provision to amortize the bond discount actually suffered by it by an annual appropriation equal to 10 per cent. of the total discount suffered. *Application of the Wrightstown Water, Electric Light and Power Company for approval of an agreement for the sale of property to the Wrightstown Utilities Corporation; Application of the Wrightstown Utilities Corporation for approval of the sale of certain equipment to the Hanover Water Company; Application of the Hanover Water Company for approval of the issue of ten thousand dollars of first mortgage 6 per cent. bonds and fifteen thousand dollars of capital stock of said company*p. 289

A water company is allowed to issue stock on the basis of uncanceled construction expenditures made since January 1st, 1911. *Application of the Middlesex Water Company for approval of \$125,000 common stock—Rehearing*p. 416

Application is made by a water utility for permission to issue a stock dividend based on the appraised value of the property January 1st, 1914, plus net additions from 1914 to 1916 inclusive, less depreciation of plant and property accrued from 1914 to 1916 inclusive.

Held: The original or cost value of the property should be used as the basis on which to compute the amount invested from earnings which could be capitalized in the stock dividend.

If the company provides annually 1 per cent. of its fixed capital as an appropriation to depreciation reserve and pays the interest on \$15,000 bonds outstanding and on \$15,500 of bonds, permission

to issue which is sought, the sum remaining would be insufficient to pay on the additional stock anything like the dividend heretofore paid on the outstanding capital stock.

It would appear that the issuance of the stock dividend would serve no useful purpose, and that with respect to this the petition should be denied.

Approval should be given to the issuance of \$15,500 bonds for the purpose of recouping the treasury for expenditures on capital account heretofore made of \$12,221 and \$3,300, proposed to be made.

Application of the Flemington Water Company for authority to issue \$15,500 4½ per cent. gold bonds and \$10,000 or more of stock as a stock dividendp. 489

In considering an application by a water company for approval of an issue of \$91,630 capital stock as a stock dividend, the investment cost of the company's property is found to be \$443,114.15. From this \$139,701.26 is deducted as accrued depreciation. An addition of \$7,068.50 is made for materials and cash on hand and consumers' accounts receivable, making a total of \$310,481.39.

Deductions are made of \$100,000 for bonds and \$108,370 for stock outstanding and of \$10,000 estimated for other liabilities outstanding of \$92,111.39.

It appears that the company is operated economically and that its rates for water service, prima facie, are not unreasonable.

While the surplus exceeds the amount of stock proposed to be issued, approval should not be given to the issuance of the full amount as a stock dividend, for the reason that during these abnormal times there should remain a larger amount of property represented by free surplus.

The sum of \$60,000 is fixed as a fair amount for stock to be issued under the application. The net corporate income for the year 1917 and the estimated net corporate income for the year 1918 indicate there will be ample funds to pay bond interest and that the company's revenue will undoubtedly be sufficient to insure reasonable dividends on the total stock issue. *Application of the People's Water Company of Phillipsburg, New Jersey, to issue \$91,630 of capital stock as a stock dividend*.....p. 516

In considering an application by a gas company for approval of the issue of \$1,500,000 capital stock the proceeds to be used for extensions to plant and to provide additional working capital, a deduction is made of \$90,000 for fixed capital charges which do not represent the expenditure of any money by the petitioner or any debt incurred by it for construction purposes. *Application of Public Service Gas Company for approval of the issuance of its capital stock to the amount of \$1,500,000*p. 535

Approval is given to the plans of a borough supplying electricity beyond its corporate limits of an addition to its plant and for an issue of bonds to finance the same. *Application of Borough of*

Pompton Lakes for approval of plans, etc., for proposed addition to its light, heat and power plant, and the issue of \$56,000 bondsp. 555

Application is made by an electric utility for authority to issue 500 shares of its preferred capital stock at par for the purpose of extinguishing indebtedness incurred in borrowing money used to pay for additions and extensions to plant.

From the calculations made by the Board's engineer, the issuance of \$50,000 par value stock cannot be authorized. Based on such calculations an issue of \$40,000 is authorized, \$35,000 of the proceeds to be used for working capital and \$5,000 for construction work in progress as of December 31st, 1917. *Application of Bridgeton Electric Company for approval of the issuance and transfer of stock to the American Railways Company*p. 770

SERVICE—ELECTRIC COMPANIES.

While under the abnormal conditions caused by the war, the Board will not encourage the extension of facilities by public utilities, there are numerous extensions which should be made, even in war times. *Alpha Board of Education vs. Eastern Pennsylvania Power Company*p. 9

Where a public school building has been so designed and built that an extension of electric service is necessary to supply it with water and ventilation, as well as lighting, and where the revenue will be sufficient to remunerate the company, the Board holds the extension should be made. *Alpha Board of Education vs. Eastern Pennsylvania Power Company*p. 9

The Board refuses to order an electric utility to extend its facilities to supply service upon its appearing that the cost of materials is abnormally high and that it would be necessary for the utility to raise additional money, to obtain which would be difficult and costly. *Clarence G. Stout, George W. Tieff, Madison Engler, James G. Sigafos, L. R. Carhart and J. W. Dilts vs. Eastern Pennsylvania Power Company*p. 14

Extensions involving considerable sums of money should not be made during war times and at war prices without careful consideration and proper regard for the financial ability of the utility; but a utility cannot be permitted to refuse to make any extension save on its own terms.

An extension involving an expenditure of a small sum on which a return of between 6 and 8 per cent. will be received, is held to be reasonable. *J. D. Seals vs. New Jersey Power and Light Company*p. 110

SERVICE—GAS COMPANIES.

The Board refuses to order a gas company to extend its facilities to supply service upon its appearing that the cost of materials is

abnormally high, and that it would be necessary for the respondent to raise additional money, to obtain which would be difficult and costly. *Clarence G. Stout, George W. Tieff, Madison Engler, L. R. Carhart and J. W. Dilts vs. Easton Gas Works*p. 13

A gas company supplying twelve customers through a $\frac{3}{4}$ -inch diameter pipe is found to be giving insufficient and inadequate service, and is ordered to replace the pipe with one larger in diameter and to extend the same seventy-five feet to supply another customer: it appearing that the company will receive a return of more than 4 per cent. on the investment, with due allowances for depreciation and all other elements going into cost, including proportional plant investment. *Mrs. William Winters vs. Standard Gas Company—In re service*p. 265

A public utility is not justified in refusing, because of war conditions, to extend its facilities when application for service was made in September, 1916.

A public utility is not justified in refusing to extend its facilities to supply service on an allegation that its rate for gas is less than cost. If the assertion is true, it is the company's duty to lay all the facts concerning its operations before the Board and the justness and reasonableness of its rates would then be properly considered. *C. S. Jones vs. Cumberland County Gas Company*.....p. 350

Failure of a public utility to keep in stock ample reserve supplies of materials essential for operation can only be tolerated when it clearly appears that the conditions are such as to make it impracticable to obtain such materials. If there are such conditions, and the company is to continue its corporate existence and management, it is important that this Board should be kept continuously informed as to the supplies ordered and in transit, so that if at any time there appears to be a chance of interruption of service because of delayed deliveries, extra effort may be made to prevent or shorten delays.

A gas company is required to keep on hand at all times six cars of soft coal, ten cars of hard coal and 80,000 gallons of oil and to report weekly the quantities of these materials on hand and the quantities ordered and not delivered. *In the matter of investigation by the Board of Public Utility Commissioners of the State of New Jersey, on its own motion, of the question whether the New Jersey Gas Company furnishes safe, adequate and proper service, and keeps and maintains its property and equipment in such condition as will enable it to do so*p. 620

A rule providing for discontinuance of service for any indebtedness whatsoever should be modified so that it shall be distinctly understood that "indebtedness" applies only to indebtedness for gas consumption. *Application of the Cape May Illuminating Company for increase in rates for gas*p. 628

Complaint is made of the service afforded by a gas company. The Board finds that interruptions of service have occurred, due to lack of sufficient gas storage capacity, not having a reserve generating unit in condition to operate, and failure of employes to start the gas compressors early enough to assure an adequate pressure in the outlying districts in the early morning hours. The company is ordered to install additional facilities and to maintain adequate pressure. *Complaint against service afforded by the New Jersey Northern Gas Company*p. 787

SERVICE—RAILROADS. See also STATIONS.

SERVICE—STREET RAILWAYS.

Upon a finding that a street railway does not furnish safe, adequate and proper service and is not maintaining its property and equipment in such condition as will enable it to do so, repairs and replacements of track and additions to service are ordered. *North End Improvement Association of Elizabeth vs. Public Service Railway Company*p. 89

A petition asking the Board to re-establish a schedule maintained by a street railway, in pursuance of the terms of an ordinance granting its franchise, prior to a change therein permitted by the Board, is not allowed, in the absence of sufficient evidence to warrant rescinding the Board's order. *Application of the Township of Union preferring charges of inadequate service against Morris County Traction Company*p. 333

A street railway is ordered to cease operating cars over a bridge found to be in a dangerous condition. *In the matter of the operation of cars of the Public Service Railway Company and Public Service Railroad Company over the Albany Street Bridge, crossing the Raritan River, in the City of New Brunswick*p. 407

A street railway failing to furnish proper and adequate service on part of its system is directed to operate the full number of cars called for by its schedule and to make certain changes and improvements in methods of operation. *The Seventh Ward Republican Club of Jersey City, The Greenville Democratic Club et al. vs. Public Service Railway Company—In re service on Greenville Line, Jersey City*p. 428

Complaint is made of the service afforded by a street railway. Following hearing, the Board finds that the company does not furnish safe, adequate and proper service on all its lines and does not keep and maintain certain of its property and equipment in condition to enable it to do so. Improvements in service and to track are required. *City of Trenton vs. The Trenton and Mercer County Traction Corporation*p. 461

An electric railway, failing to furnish safe, adequate and proper service, is ordered to keep in stock necessary materials and supplies, to maintain its cars in good repair, to rearrange its distribution system, and to report interruptions of service. *Complaint of Asbury Park of the service rendered by the Atlantic Coast Electric Railway Co. and the Atlantic Coast Electric Light Co.p. 579*

An electric railway charging a fare of six cents in each of its fare zones is allowed to increase its fare to seven cents, it appearing that its receipts are insufficient to pay operating expenses, fixed charges and taxes. *Application of Northampton, Easton and Washington Traction Company to increase rates of fare.....p. 585*

SERVICE—TELEPHONE COMPANIES.

SERVICE—WATER COMPANIES.

A ruling of a water company that it has a right to shut off a supply of service when bills remain due and unpaid for 30 days is reasonable. *J. C. Bentley vs. Plainfield-Union Water Company.....p. 71*

Complaint is made of the quality of water supplied by a water company.

Held: That the water is not suitable for drinking and domestic purposes without being aerated and the standpipe and distribution system kept clean by frequent periodical flushing and cleaning. *Borough of Point Pleasant Beach vs. Point Pleasant Water Works Companyp. 174*

The time is extended for complying with an order of the Board requiring an extension of facilities to supply water, it appearing that the costs of labor and materials have greatly increased since the order was entered; that the company is a small one and that to require the extension to be made under present conditions would result in a capital investment, which would have to be considered in adjusting the rates charged all those served by the company, and which would not be justified by additional revenue accruing from the extension. *Ross Miller et al. vs. Merchantville Water Companyp. 254*

A rule of a water company requiring some notice and fixing a positive date on or before which stated time the customer shall give notice to the company if discontinuance of service is wanted is reasonable, but the date so fixed to be fair and reasonable must consider the local conditions of the community served.

At a summer resort, where properties are mostly rented in June, a rule compelling a house owner to pay an annual water rental or notify the water company to discontinue service he may require, before he has knowledge of an actual tenant, is unreasonable.

A rule should be adopted requiring notice of discontinuance from consumers to be made in writing to the company on or before July 1st of each year. *William Winans vs. Monmouth County Water Companyp. 336*

Where a substantial dispute exists between a utility and a customer and the utility to force a settlement discontinues or threatens to discontinue service, it is within the power of the Board to order the service maintained pending the legal determination of the dispute or controversy. *Application of Dorothy L. Valkiano, for an order directing the Point Pleasant Water Works Company to furnish water*p. 339

Complaint is made of the rules of a water company requiring plumbers to obtain licenses from the company and imposing fines for violating the company's rules.

Held: A utility is not vested with licensing powers, thereby giving it the right to prefer a favored few to perform work which a customer has a lawful right to have performed. The work performed and service installed should be in accordance with the lawful rules and regulations established by the company, but the company should not have authority to discriminate among or restrict those who have the right to perform work of this character.

A utility cannot impose fines or penalties. *William I. Schnepf vs. Hackensack Water Company*p. 422

Following a finding by the Board on a complaint of the City of Bayonne that the New York and New Jersey Water Company should construct an additional 18-inch pipe line, application, in which the city joined, was made not to issue an order in conformity with the finding, on the ground that the city had arranged for the purchase of the water company's plant, and that to impose the order on the water company under the circumstances would place an additional burden on the city.

Held: The relief planned by the Board was only temporary. The city, as the owner of the plant, will make permanent improvements to insure safe, adequate and proper service. No order should be issued. *City of Bayonne vs. New York and New Jersey Water Company*p. 437

A water company failing to furnish safe, adequate and proper service is ordered to employ a competent man as superintendent to assure the proper operation and maintenance of the plant; to put the plant in proper repair and to observe the rules and regulations fixed by the Board for water utilities. *Borough of Tuckerton vs. Tuckerton Water Company*p. 634

A water company failing to furnish safe, adequate and proper service is ordered to make repairs and additions to its plant and to observe the Board's rules for water utilities. *Borough of Swedesboro vs. Woolwich Water Company*.....p. 645

As a matter of State policy water utilities should be encouraged in acquiring lands sufficient to insure a safe and adequate supply of water for a reasonable period in the future, particularly where the

supply is located in the midst of and used by growing communities.
Application of the Commonwealth Water Company for increased ratesp. 662

Where service on a flat rate basis was supplied a customer of a water company for more than one year after application was made for a meter and the flat rate charge exceeded the minimum, the Board cannot rule that the customer should be billed at the minimum rate for a period prior to the installation of the meter.

It is a common and not unlawful practice for metered and flat rate service to be afforded in the same community. There is no guarantee in a given case that the quantity of water supplied on a measured basis will not exceed the quantity allowed for the minimum charge.

Water companies have a right to install meters where there is evidence of waste of water, although the customers may object. This right does not rest solely upon the protection of the company's interest, but upon the principle that the public interest is against a waste of potable water. Whether a water company should be required to supply meters to all its customers would depend upon whether, with due regard to the conditions existing in the community and the financial conditions of the company, this would be reasonable and practicable.

A user of water cannot be relieved by the Board of payment for water, on the same basis as other customers similarly situated, because of an agreement with a predecessor to the company to supply service free or at a reduced rate, in return for use of a pipe laid at the customer's expense. If there was an indebtedness for which the existing company as successor is liable and the matter cannot be settled by agreement, if the complainant desires to press the claim this would have to be done before a court having jurisdiction.

Where, as a result of a long period of exceptionally cold weather, water in pipes froze and it appears the company was not negligent, that it made reasonable efforts to keep its customers supplied with water and that its bills covering the period were generally paid, the Board cannot order the company to reduce, because of interruption in the service, an unpaid bill. If this were done it would be necessary, to prevent unlawful discrimination, for the company to make refunds to its other customers. The Board has no authority to order refunds. *Paul J. O'Neill and Mrs. C. A. Byrd vs. Atlantic County Water Company of New Jersey*.....p. 802

STOCKHOLDERS, OBLIGATIONS OF.

Stockholders in public utility corporations must share in the burdens and hardships resulting from financial changes due to the war and cannot expect to wholly escape therefrom. *Application of the Public Service Railway Company for approval of increase in rates*p. 269

STOCKS AND BONDS. *See* SECURITIES.

STATIONS.

The mere fact that the distance between two railroad stations is greater than the distances between most stations on the road does not of itself show a need for additional stational facilities. *John V. Laddey et al. vs. Erie Railroad Company*.....p. 2

Though new stational facilities would result in greater convenience to the petitioners, the Board is of the opinion that the community is served to such an extent by existing facilities it would not be warranted during the abnormal period of the war in ordering any change. *John V. Laddey et al. vs. Erie Railroad Company*.....p. 2

